2012

ANNUAL REPORT AND FINANCIAL STATEMENTS

TransCentury

Investing in Africa


4735

Contents

Notice of the Annual General Meeting

Investing in Africa

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Strathmore University Auditorium, Madaraka,Nairobi on Thursday 30th May, 2013 at 10a.m. to conduct the following business:

AGENDA

ORDINARY BUSINESS

1. To read the notice convening the meeting and determine if a quorum is present;
2. To receive, consider and if approved, adopt the Chairman's statement, reports of the Directors and Auditors and audited financial statements for year ended 31st December, 2012;
3. To declare payment of a first and final Dividend recommended by the Board of Kshs 0.40/= per share for the year ended 31st December, 2012 to the shareholders in the Register of Members as at 2nd May, 2013;
4. To elect Directors in accordance with the Company's Articles of Association;

   In accordance with the Company's Articles of Association, Mr. Peter T. Kanyago and Mr.Robin Kimotho retire by rotation from the office as Directors of the Company and, being eligible, offer themselves for re-election;
5. To approve the Directors' Remuneration;
6. To note that KPMG Kenya Certified Public Accountants having expressed willingness continue in office as the Auditors by virtue of section 159 (2) of the Companies' Act (Cap 486) and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and if approved, pass the following Special Resolution to amend the Company's Articles of Association:

(i) That the Articles of Association of the Company be amended by adding a new Article to read as follows:

UNCLAIMED FINANCIAL ASSETS ACT

"The Company may, if required by law, deliver or pay to any prescribed regulatory authority any unclaimed assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends or interest thereon remaining unclaimed beyond prescribed statutory periods. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the owner or holder of his or estate, for the relevant unclaimed assets."

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary
P.O Box 61120
00200 City Square
Nairobi

Date: 10th April, 2013

Note:

A member entitled to attend is entitled to appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company. To be valid, proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the appointed time of the meeting.

Directors, Officers and Administration

DIRECTORS

Zephaniah Mbugua (Chairman)
Joseph Karago
Peter Kanyago
Robin Kimotho
Ngugi Kiuna
Njeru Kirira
Gachao Kiuna
Carol Musyoka

SECRETARY

Virginia Ndunge
Emu Registrars
3rd Floor, Suite 8, East wing
The Greenhouse
Ngong Road
P.O Box 61120
00200 Nairobi City Square

AUDITORS

KPMG Kenya
16th Floor, Lonrho House
Standard Street
P.O Box 40612
00100 Nairobi GPO

REGISTERED OFFICE

Emu Registrars
3rd Floor, Suite 8, East wing
The Greenhouse
Ngong Road
P.O Box 61120
00200 Nairobi City Square

PRINCIPAL PLACE OF BUSINESS

7th Floor, Longonot Place
Kijabe Street
P.O Box 42334
00100 Nairobi GPO

ADVOCATES

Muthaura Mugambi Ayugi & Njonjo Advocates
4th floor, West Wing, Capitol Hill Square
Upperhill, Off Chyulu Road.
P.O Box 8418
00200 Nairobi City Square
Nairobi

Kaplan & Stratton Advocates
9th Floor, Williamson House
P.O Box 40111
00100 Nairobi GPO

SHARE REGISTRARS

Cooperative Bank of Kenya Limited
Share Registration Services
13th Floor, Cooperative Bank House
Haile Selassie Avenue
P.O Box 48231
00100 Nairobi GPO

BANKERS

National Industrial Credit Bank Limited
P.O Box 44599
00100 Nairobi GPO

Commercial Bank of Africa Limited
P.O Box 30437
00100 Nairobi GPO

Kenya Commercial Bank Limited
Chase Bank
P.O Box 66015-00800
Nairobi, Kenya

Equity Bank
P.O Box 75104-00200,
Nairobi, Kenya

Standard Chartered Bank
48 Westlands Road,
Nairobi, Kenya
P.O Box 30081
00100 Nairobi GPO

Co-operative Bank of Kenya Limited
P.O Box 48231
00100 Nairobi GPO
Standard Bank (Mauritius) Limited
6th Floor, Medine Mews Building
La Chaussee Street
Port Louis, Mauritius

Citi Bank NA
P.O Box 30711
00100 Nairobi GPO

Chase Bank Kenya Limited
Riverside clause
Junction of Ring Road Riverside
Westlands
PO Box 66015 - 00800
Nairobi

UBA Kenya Bank Limited
Apollo Centre
1st Floor Ring Road
PO Box 34154
00100 Nairobi GPO

Board of Directors

Mr. Zephaniah Gitau Mbugua,
Chairman of the Board
Mr. Mbugua is a graduate of Makerere University with a BSc in Chemistry and Mathematics. He is a successful serial entrepreneur, developing businesses and partnerships across Africa for the last 30 years. He is a founder member and Chief Executive Officer of Abcon Group of Companies, a leading distributor of industrial chemicals. He is also a director of Proctor & Allan EA Ltd, Real Insurance and Zeniki Investment Ltd.

Dr. Gachao Kiuna,
Chief Executive Officer and Managing Director
Gachao joined Trans-Century from McKinsey & Company in Johannesburg, where he was a member of the Office Leadership Group leading McKinsey's Sub-Saharan Africa Practice. He was involved in advising corporate clients in emerging markets on corporate finance and strategy. He was also the principal consultant that led the McKinsey assignment to develop the Vision 2030 project for the Government of Kenya.

Gachao Joined McKinsey in 2003 after completing his PhD at the University of Cambridge, Corpus Christi College in the United Kingdom. Additionally he holds a First Class Honours BSc degree from Imperial College, London in Biochemistry and a PhD in Biotechnology from the Institute of Biotechnology in Cambridge.

Peter Kanyago, MBS, ***Director***
Mr. Kanyago is a fellow of the Institute of Certified Public Accountants of Kenya, member of the Institute of Certified Public Secretaries of Kenya and holds an MBA in Industrial Management. As an entrepreneur, he holds directorships in companies he has built, including East Africa Courier Ltd and East Africa Elevator Company (OTIS). He is the Chairman of Ecobank Kenya Ltd and Kenya Tea Development Authority (KTDA) Ltd, and also holds directorships at Kenya Tea Packers (KETEPA), Express Kenya Ltd, KEMSA, Corporate Insurance Company Ltd and East African Cables Ltd. His contribution to the nation has been recognised in his being awarded Moran of the order of the Burning Spear (MBS) of the Republic of Kenya. He is a Fellow of Kenya Institute of Management(KIM).

Joseph Karago, ***Director***
Mr. Karago holds a Bachelor of Architecture from the University of Nairobi. In his professional background, he has worked for Symbion International Architects (1987-1991) and later joined Plence International as Partner-in-charge of Design and Technical Co-ordination (1992-1995). His entrepreneurial interest saw him leave Plence International to set up his own practice, Karago & Associates Architects that he manages to date. Mr. Karago is chairman of Sajo Ltd and Mcensal Ltd and is very active in corporate social responsibility including acting as a member of the board of governors of Thomas Barnados Home and Chairman of the Adoptions Committee, Kenya Children's Home.

Robin Kimotho, ***Director***

Mr. Kimotho graduated from Makerere University with BA (Econ) First Class Honours and an MBA (Finance Major) from the University of Alberta. In 1986 he obtained a diploma in Investment Planning and Appraisal from the University of Bradford. In his professional career he has been a lecturer at the Faculty of Business Administration, Papua New Guinea University of Technology (1974 – 1979). Between 1979 and 1987 he worked for Kenya Commercial Bank as a consultant in the Business Advisory Services division, and as manager of the Economics and Planning division. In 1987, he moved to the Africa Project Development Facility (APDF) as an Investment Officer, where he worked in various countries in eastern and southern Africa up to 1995. Since then, he has worked as an independent financial consultant and manages his own farming and real estate enterprises.

Njeru Kirira, ***Director***

Mr. Kirira graduated with a Masters degree in Public Administration (MPA) from the University of Pittsburgh and BA (Hons) from Makerere University in Economics and Agricultural Economics. He is trained and experienced in Fiscal Affairs and Tax Administration and is currently a Managing Consultant with Global Economic Investment and Financial Consultancy Limited (GEIFIC Limited). In his professional career, he has been a long serving tax and fiscal policy administrator. He served in various capacities in the Treasury including, the Director of Fiscal & Monetary Affairs, and Economic Advisor to the Central Bank of Kenya before his appointment as the Financial Secretary to the Treasury. He has consulted with various local and regional organisations on economics and public administration, and He is also serves as a council member for Inoorero University in Nairobi.

Ngugi Kiuna, ***Director***

Mr. Kiuna graduated with a BSc Hons in Mechanical Engineering from the University of Portsmouth in the United Kingdom. He is currently the Managing Director of Maxam Limited, the distributor of Heineken across East Africa. His professional experience has involved working as a Managing Director of Unilever East Africa. His other directorships include BOC Gases Kenya Ltd, Proctor & Allan (EA) Ltd, UBA Kenya Bank Limited and X & R Technologies (Xerox).

Carol Musyoka, ***Director***

Ms. Carol Musyoka has over 10 years of financial leadership including deal origination, structuring and execution, as well as credit risk and treasury management. She has extensive senior-level experience in banking and corporate finance, having previously been Chief Operating Officer of K-Rep Bank, Corporate Director of Barclays Bank and a Corporate Manager with Citibank Kenya. Carol received her Masters of Law degree from Cornell University, USA and holds a Bachelor of Law degree from the University of Nairobi. She is currently a director of BAT Kenya Ltd, BOC Gases Ltd and Alliance Capital Partners as well as a Trustee at SOS Children's Villages.

The Board of Directors of Trans-Century Limited is responsible for the governance of the company and is accountable to the shareholders, ensuring that the company complies with the law, the highest standards of corporate governance, and business ethics.

BOARD OF DIRECTORS

The Board consists of eight directors of which seven are non executive (including the board chairman) and one is executive (the chief executive officer). All non-executive directors on Trans-Century's board are independent of management and have diverse skills, experience and competencies appropriate for effective management of the company's business.

The board meets at least four times a year, with additional meetings when required. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for the direction and guidance on general policy, the board has delegated authority for conduct of day-to-day business to the CEO.

The Board nonetheless retains responsibility in maintaining the company's overall internal control on financial, operational and compliance issues. All our directors have also attended various corporate governance courses organized by accredited institutions. All non-executive directors are subject to periodic reappointment in accordance with company's Articles of Association.

BUSINESS ETHICS

The directors attach great importance to the need to conduct the business and operations of the company with integrity and in accordance with internationally developed principles on good governance. The company adopts the best principles of good corporate culture that requires the directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the company. The company has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good governance principles of:

- Full compliance with the law
- Application of best accounting practices
- Application of best business practices

EQUAL EMPLOYMENT OPPORTUNITIES AND COMMITMENT TO OUR PEOPLE

The company is committed to provide equal opportunity to all employees and applicants on the basis of merit. Our practice is to create a meritocratic culture in all our businesses across the African continent.

COMMITTEES OF THE BOARD

The board has three standing committees which meet regularly under the terms of reference set by the board.

Audit and Risk Committee

The board has constituted an audit committee which meets at least quarterly. It includes four non-executive directors Ngugi Kiuna, Peter Kanyago, Robin Kimotho and Carol Musyoka and the CEO. Its responsibilities include review of financial information, in particular half year and annual financial statements, compliance with accounting standards, liaison with external auditors, remuneration of external auditors and maintaining oversight on internal control systems. Other responsibilities are to receive and consider the company's annual budget. The committee is guided by a charter from the board which outlines its mandate. The head of corporate finance and strategy, head of finance and group internal auditor are regularly invited.

Strategy and Investment Committee

The committee meets regularly, typically bi-monthly, and it includes two non-executive directors Zephaniah Gitau Mbugua and Ngugi Kiuna and the CEO. The main responsibility of the committee is to chart the strategy of the company and to oversee implementation of strategic decisions of the board. The head of corporate finance and strategy, and head of finance are regularly invited.

Nominations and Remuneration Committee

The committee meets at least quarterly and includes, three non-executive directors Zephaniah Gitau Mbugua, Joseph Karago and Njeru Kirira and the CEO. The main responsibilities of the committee are to nominate TCL and subsidiary companies' board members, appointment of TCL and subsidiary CEO's, and succession planning. The committee also determines the company's remuneration policy for employees, management and non-executive directors. The committees submit their findings and recommendations at the quarterly board meetings.

DIRECTORS EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to the directors for services rendered during this financial year ended 31 December 2012 are disclosed in the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the company is a party, whereby a director might acquire benefits by means of acquisition of the company's shares. All business transactions with the directors or related parties are carried out at arm's length. Such transactions have been disclosed.

RISK MANAGEMENT AND CONTROLS

The board recognizes that managing risk to ensure an optimal mix between risk and return is an integral part of achieving corporate goals. The board has put in place processes for identifying, assessing, managing and monitoring risks to ensure that the company's business objectives are achieved and risks mitigated. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. They cover systems for obtaining authority for major transactions and for ensuring compliance with the laws and regulations that have significant financial implications. The Board approves company policies and procedures whereas the management implements the Board's risk management policy. Procedures are also in place to mitigate investment risks and manage the risk profile of the investment portfolio.

A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Regular senior management meetings are held to monitor performance and to agree on measures to drive improvement.

Dear Investors,

On behalf of the entire Board of Directors, it is my pleasure to present to you the audited financial statements for the financial year ended December 2012.

Overview of Group Performance

Group revenues increased by 26% to KES 13.5 billion while our Profit before tax increased by 41% to KES 1.2 billion in 2012.

Overview of the Business Environment

The Group was able to achieve the significant growth even in a financial year that began with inflation rate as high as 18%, pushing interest rates to increase to record highs, above 20% for most of the regional lenders. The actions from regional central banks were able to stabilise the Inflation rates, which decreased steadily throughout the year. By end of 2012, inflation rates for Kenya, Uganda and Tanzania were at 3.2%, 5.5% and 12.1% respectively, and interest rates were at more manageable levels across the region.

Despite the volatile interest rate environment, the regional economies showed resilience and recorded impressive growth in GDP.The best performing member of the East African Community was Rwanda, which according to the IMF, had a GDP growth rate of 7.7% as at December 2012. Tanzania also showed impressive GDP growth rates growing at 6.8% in the same period. However, Uganda's economy slowed to 2.6% during the year 2012. Kenya's GDP growth rate of 4.7% in 2012 was a slight improvement to the 4.4% growth rate recorded in 2011.

Though not part of the East African Community, Southern Sudan continues to act as an important contributor of economic growth for the region and continued its rapid transformation since gaining independence in early 2011. The new nation creates many opportunities for regional expansion of all our Divisions, as the country builds its Infrastructure, including roads, the electric grid and construction sectors.

The Upstream Oil and Gas activity also continues to be a catalyst for economic growth in East Africa. In Kenya and Uganda, the Oil companies moved closer to the beginning of the oil extraction phase which will result in large sums of capital investment in preparation of the extraction of the oil reserves. In Tanzania, new gas finds in 2012 resulted in nearly a tripling of the total size of estimated gas reserves, which will fuel economic growth in Tanzania in the future. East Africa's development into an important Oil & Gas hub will create numerous opportunities across the economic spectrum, including the engineering and construction, logistics and services sectors.

On the Political scene, we are encouraged by the recent peaceful election held in Kenya. The election was also a testament to the importance of Kenya's young institutions created by the new constitution. The smooth transition will increase investor confidence in the region and lay a foundation for strong economic growth for the future.

Outlook

The growth outlook across our three key Divisions remains positive, driven by strong fundamentals within the Power, Transport & Logistics, and Engineering & Construction sectors:

- ***Power Division:***
  - Our Power Division benefits from investment by regional utilities in expansion of the national grids, through urban and rural electrification programs
  - With the stabilisation of regional interest rates, growth in the resilient construction sector is expected to increase, which should act as a driver for our market leading cable products
- ***Transport Division:***
  - Strong demand for imports, specifically for containerised cargo which grew by 12.5% to 770,000 TEU's

- ***Engineering Division:***
  - Development of power generation capacity by KenGen as well as Independent Power Producers (IPP's) in line with regional push for more affordable baseload power generation capacity
  - The developing upstream Oil & Gas industry in the region requires local engineering and construction capacity
  - The construction of new mines across the region to exploit the rich set of natural resources in a historically under explored region

We expect that our Divisions will continue to grow, and in doing so, contribute to improving the regional infrastructure across the region and driving long-term value creation for our Investors.

Appreciation

I would like to thank the shareholders of TransCentury for their continued support and commitment throughout the year. Our shareholder base continues to grow each year, and we welcome the new shareholders who joined the TransCentury family during the year.

I continue to benefit from the wise counsel of my fellow directors, for which I owe much gratitude. I would also like to thank all our stakeholders, including our hard-working and highly talented members of staff as well as our business partners who contributed towards delivering the stellar earnings performance.

Zephaniah Gitau Mbugua
Chairman

Chief Executive's Statement

Dear Shareholders,

The 2012 financial year saw TransCentury continue with its strong growth momentum arising from organic growth in our Power and Engineering Divisions as well as a positive impact of the consolidation of the Group's recent strategic acquisitions. The growth also resulted in a reduced reliance in our Power Division, with revenues and profitability now equally distributed across our Divisions.

During the year, the Rift Valley Railways ('RVR') capital expenditure program kicked off successfully in early 2012, after the first successful drawdown of debt, which occurred in December 2011. Since then, over USD 100 million has been invested in rehabilitating the track, modernising operations through innovative IT systems and overhauling of locomotives and wagons. The capital expenditure program will result in a total of USD 287 million being invested towards the rehabilitation of the railway assets quadrupling current freight rail capacity from the Port of Mombasa.

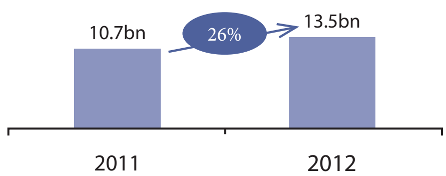
TransCentury also continued investment in our brown-field operations in Zambia and DRC. The Zambian operations are a strategic investment that continues to open access to the copper-belt region of Zambia and southern DRC. TCL is also excited about our DRC copper plant which has shown continued progress.

The year also witnessed TransCentury continue to refocus its strategy on infrastructure and engineering. As such, in December 2012 the Company divested of its Consumer business "Chai Bora", Tanzania's leading packaged tea manufacturer. The proceeds of the sale were redeployed into TransCentury's core Divisions – Power, Transport and Engineering.

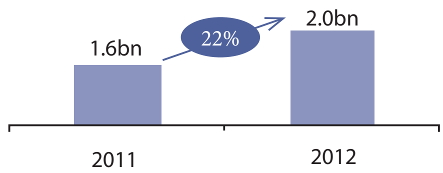
Group Performance

The Group recorded strong growth in business activity, which resulted in an uptick in revenues and earnings driven by organic growth in our Power Division as well as a positive impact of the consolidation of the Group's recent strategic engineering acquisition. TCL revenues grew by 26%, increasing from KES 10.7 billion in 2011 to KES 13.5 billion in 2012 while TCL's operating profit rose by 22%, from KES 1.6 billion in 2011 to KES 2.0 billion in 2012. This resulted in a Profit before tax increase of 41%, from KES 869 million in 2011 to KES 1.2 billion in 2012.

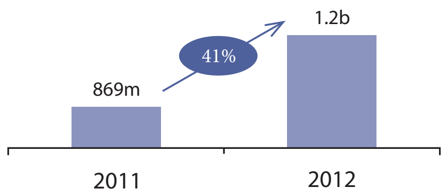
REVENUE



OPERATING PROFIT

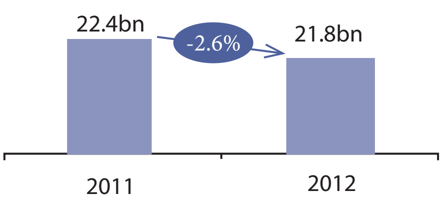


PROFIT BEFORE TAX

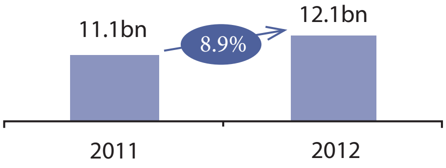


The growth in revenues and earnings was despite the difficult macro-economic environment at the beginning of the year which resulted in a high interest rate environment across East Africa, with borrowing costs of +20%. The impact was felt across all industries, and specifically in the construction industry. The situation then stabilized in the latter half of 2012, with a reduction of inflation rates and the resulting easing of interest rates across the region.

TOTAL ASSETS



NAV[1]



[1] The NAV includes TC Mauritius Convertible Bond

The Group also experienced a reduction in the Asset Base, from KES 22.4 billion in 2011 to KES 21.8 billion in 2012. However, this was driven by a reduction in the Group's working capital in line with the Group's strategy to improve working capital management in the operating Divisions. Fixed assets grew from KES 12.9 billion in 2011 to KES 14.3 billion in 2012, as the Group invested capital across the three core Divisions.

Performance by Division

Power

Power: Business Overview

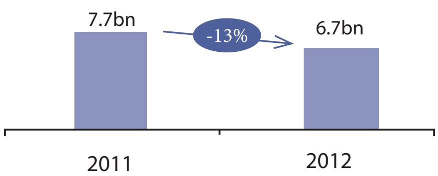
TransCentury's Power Division is the leading quality provider of power solutions across the grid including: electrical equipment solutions, industrial products and turnkey projects.

- Cables: Low and medium voltage cables, Copper winding wires, Overhead conductors, Data & Communication cables & Specialty Cables
- Transformers: Distribution transformers, Power transformers, Special transformers as well as Onsite repair and maintenance
- Switchgear: Low and medium voltage switchgear, as well as installation and commissioning and maintenance
- Generators: SDMO generators, Yor Power and Power Pro generators
- Turnkey Projects: substations, distribution & transmission lines as well as other turnkey solutions

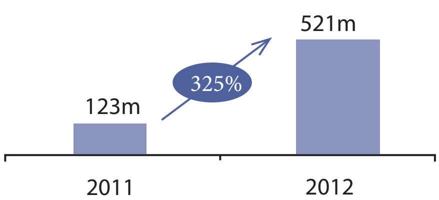
Power: Financial Performance

The Division had 13% reduction in revenues, from KES 7.7 billion to KES 6.7 billion in 2012, as copper and aluminium prices stabilised downwards. Despite this, the Division experienced an uptick in profitability, with an increase in operating profit from KES 123 million to KES 521 million, as the Division recovered from high metal prices that depressed margins in 2011.

REVENUE



OPERATING PROFIT



Volumes within the Division remained relatively flat in 2012, impacted by the slowdown of growth in the construction sector within the region. However, the stabilisation of interest rates during the year has improved outlook for the construction industry in 2013.

The Division's operating margins recovered from 2011 depressed levels also benefitting from renewed focus on new and innovative products within the Division, including XLPE insulated cables and Arial Bundled Conductors. The products will help differentiate our product offering and validate our market leadership in the region. Management also improved profitability by installing a cost cutting programme aimed at increasing efficiency across the Division.

Power: Investing for Growth

In 2012, the Division invested KES 277 million in capital expenditure, up from KES 111 million in 2011, aimed towards increasing efficiency in our production plants. Investment in efficiency will aid our production facilities to continue growing into the new capacity that we have installed.

Profitability of the Division continues to be impacted by our brown field investment activities. Continued investment in our Zambian operations as well our DRC cable plant impacted our operating margins. However, the Division continues to benefit from the improved geographic expansion into the resource rich copper-belt region in Zambia and DRC. We also expect opportunities to emerge for our other Power products as well as for our other Divisions.

Transport

Transport: Business Overview

The Transport Division comprises TransCentury's 34% shareholding in Rift Valley Railways (RVR), the 25-year concession to operate the Kenya-Uganda railway. The railway line begins at the port of Mombasa, and runs along the Northern Corridor, through most key urban areas in Kenya including Nairobi and onwards to Uganda's capital city of Kampala and then to the west of Uganda, where the oil fields are situated.

Transport: Financial Performance

In 2012, RVR Kicked off the planned turnaround plan after receiving its first debt drawdown in December 2011. During the 2012 financial year, over USD 100 million was invested as part of the capital expenditure programme, and the following has been achieved to date:

- Rehabilitation of the dilapidated track: over 50% complete
- Refurbishment and overhaul of wagons: over 350 wagons refurbished or overhauled
- Launch of the locomotive rehabilitation and overhaul programme
- Installation of a new ERP system and electronic train monitoring system

Transport: Investing for Growth

The progress of the capital expenditure has been encouraging albeit delayed due to the timing of the debt funding, and has resulted in a steady increase in capacity of the railway as well as improvement in the permanent way. The next phase of the capital expenditure programme began with the 2nd draw down of the debt package, which took place in the beginning of 2013.

With the successful 2nd draw down, RVR will look to achieve the following:

- Completion of rehabilitation of rails, culverts and bridges
- Improvement of track geometry with new tamping machine and welding of rails
- Overhaul of locomotives and installation of onboard computers in locos to increase efficiency and traction capacity, as loco availability still remains a key gating item
- Realisation of the cost reduction program following implementation of technology to manage fuel and labour costs

Engineering

Engineering: Business Overview

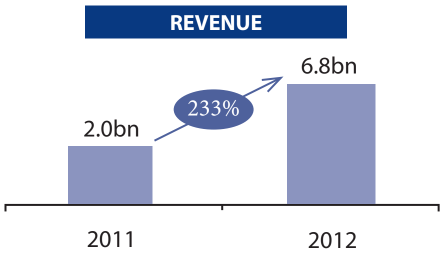
TransCentury's Engineering Division is the regions leading Mechanical and Civil Engineering and Contracting Firm in East and Central Africa.

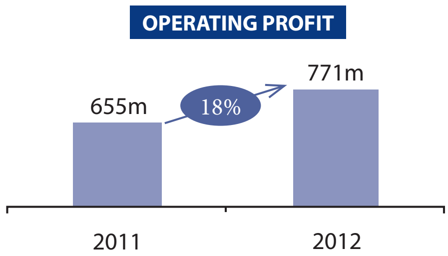
Products and Services provided include the following:

- Mechanical Engineering
- Civil Engineering
- Logistics
- Cranage & Erection
- Industrial Equipment

Engineering: Financial Performance

Revenues for the Engineering Division grew by 233% from KES 2.0 billion in 2011 to KES 6.8 billion in 2012, driven by the full year consolidation of Civicon, which augmented Avery's contribution to the Engineering Division.





The Engineering Division continued to be very active in infrastructure projects across the region in 2012. Key projects that the Engineering Division was engaged in during the year were in the following sectors:

- Sale of large weighbridges
- Sale of large Generators
- Power generation projects
- Oil and gas; upstream and downstream
- Mining services
- Transport infrastructure projects
- Specialised logistics and lifting

The operating profit of the Division grew from KES 655 million to KES 771 million in 2012. The growth did not keep up with the growth in revenues as a large number of key projects were in their start up phase requiring significant amounts of upfront mobilization costs.

Engineering: Investing for growth

The Engineering Division invested over KES 1 billion, which went towards new heavy equipment to support new projects predominantly in Kenya and DRC. The investment has been targeted to the Division's growth areas, including mining services.

Appreciation

I would to thank the board of directors of TransCentury for their guidance and strategic support throughout the year. I would also like to thank our dedicated management and staff across all our Divisions who were integral in helping to deliver our strong growth.

I look forward to a successful and prosperous 2013.

Yours Sincerely,

Dr. Gachao Kiuna
Chief Executive Officer

Report of the Directors

The directors have pleasure in submitting their report together with the audited group annual financial statements for the year ended 31 December 2012, which disclose the state of affairs of the company and the group.

1. Activities

The group's principal activity is that of power, transport, infrastructure and engineering industries across Africa.

2. Results

The results for the year are set out on page 17.

3. Dividends

The directors recommend the payment of a first and final dividend of KShs 0.40 (2011 - KShs 0.25) per share which amounts to KShs 109,580,114 (2011 – KShs 68,487,571).

4. Directors

The directors who served since 1 January 2012 are set out on page 3.

5. Auditors

The auditors, KPMG Kenya, continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 10 April 2013

BY ORDER OF THE BOARD

Secretary

Date: 10 April 2013

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the group and company annual financial statements of Trans-Century Limited set out on pages 17 to 64 which comprise the group and company statements of financial position at 31 December 2012, the group statement of comprehensive income, group and company statements of changes in equity and group statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires the Directors to ensure the group keeps proper accounting records which disclose with reasonable accuracy the financial position of the group and the company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in compliance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of the group operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the group, the company and its subsidiaries ability to continue as a going concern and have no reason to believe the group, company and its subsidiaries will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The consolidated and separate financial statements, as indicated above, were approved by the Board of Directors on 10 April 2013 and were signed on its behalf by:

Director
Zephaniah Mbugua

Director
Gachao Kiuna

Report of the Independent Auditors

to the members of TransCentury Limited

KPMG Kenya
Certified Public Accountants
16th Floor, Lonrho House
Standard Street
P.O. Box 40612 00100 GPO
Nairobi Kenya

Telephone +254 20 2806000
Fax: +254 20 2215695
Email: info@kpmg.co.ke
Website: www.kpmg.co.ke

We have audited the group and company financial statements of Trans-Century Limited set out on pages 17 to 64 which comprise the group and company statements of financial position at 31 December 2012, the group statement of comprehensive income, group and company statements of changes in equity and group statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 15, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of consolidated and company financial position of Trans-Century Limited at 31 December 2012, and its consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and

(iii) The statement of financial position of the company is in agreement with the books of account.

KPMG Kenya

Date: 10 April 2013

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Note	2012 KShs'000	2011 KShs'000
Revenue		13,487,229	10,701,621
Cost of sales		(9,814,036)	(7,676,422)
Gross profit		**3,673,193**	**3,025,199**
Net other income	5	1,233,280	953,743
Distribution, administration and operating expenses		(2,293,137)	(2,036,391)
Profit before depreciation, impairment and finance cost		2,613,336	1,942,551
Depreciation and amortisation	6	(643,904)	(336,478)
Impairment losses	6	-	11,990
Results from operating activities	**6**	**1,969,432**	**1,618,063**
Finance income	7	159,167	59,875
Finance cost	7	(902,126)	(808,673)
Net finance cost		**(742,959)**	**(748,798)**
Profit before income tax		**1,226,473**	**869,265**
Income tax expense	8	(490,368)	(253,165)
Profit from continuing operations		**736,105**	**616,100**
Discontinued operations			
Profit from discontinued operations (net of tax)	29	4,542	-
Profit from the year		**740,647**	**616,100**
Other comprehensive income			
Revaluation of property, plant and equipment, net of deferred tax		352,815	196,859
Net change in fair value of available-for-sale financial assets		10,913	(183,220)
Available-for-sale reserve released on disposal of quoted shares		(47,979)	(29,803)
Exchange differences on translation of foreign subsidiaries		(45,122)	(139,162)
Other comprehensive income net of income tax		**270,627**	**(155,326)**
Total comprehensive income for the year		**1,011,274**	**460,774**
Profit after tax is attributable to:			
Equity holders of the company		455,056	356,665
Non-controlling interest		285,591	259,435
Profit for the year		**740,647**	**616,100**
Total comprehensive income for the year attributable to:			
Equity holders of the company		532,484	210,367
Non-controlling interest		478,790	250,407
		1,011,274	**460,774**
BASIC EARNINGS PER SHARE - (KShs)	**22(a)**	**1.66**	**1.32**
DILUTED EARNINGS PER SHARE - (KShs)	**22(a)**	**1.66**	**1.23**
DIVIDEND PER SHARE - (KShs)	**22(b)**	**0.40**	**0.25**

The notes set out on pages 25 to 64 form an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2012

ASSETS	Note	2012 KShs'000	2011 Restated KShs'000
Non current assets			
Property, plant and equipment	9	6,865,850	5,818,209
Investment property	10	285,125	474,003
Prepaid operating lease rentals	11	149,918	157,904
Intangible assets	12	2,429,592	2,661,410
Quoted investments	13(a)	281	50,135
Unquoted investments	13(b)	4,210,650	3,034,588
Investments in funds	14	393,996	767,553
Deferred tax asset	24(a)	575	74
		14,335,987	12,963,876
Current assets			
Inventory	16	1,593,541	1,709,228
Trade and other receivables	17	5,603,701	4,949,262
Tax receivable		38,109	42,542
Cash and cash equivalents	18	274,416	2,759,356
		7,509,767	9,460,388
TOTAL ASSETS		**21,845,754**	**22,424,264**
EQUITY AND LIABILITIES			
Capital and reserves (Pages 21 - 22)			
Share capital	19	136,975	136,975
Share premium	20	379,717	379,717
Revenue reserves	21(a)	3,102,831	2,757,355
Translation reserve	21(b)	182,489	241,201
Available-for-sale reserve	21(c)	197,593	234,659
Revaluation reserve	21(d)	793,778	620,572
Proposed dividends	22(b)	109,580	68,488
Total equity attributable to equity holders of the company		4,902,963	4,438,967
Non-controlling interest		2,591,078	2,193,659
Convertible bond	23	4,574,554	4,452,798
Total equity		**12,068,595**	**11,085,424**
Liabilities			
Non current liabilities			
Deferred tax liability	24(b)	717,438	618,213
Provision for staff gratuity		34,402	29,477
Long term loan – non-current portion	25	3,179,169	2,965,304
		3,931,009	3,612,994
Current liabilities			
Bank overdraft	18	335,405	263,953
Long term loan – current portion	25	1,397,958	1,337,928
Trade and other payables	26	3,883,406	5,715,174
Tax payable		194,127	379,335
Unclaimed dividends		324	101
Aureos Fund – other members	14	34,930	29,355
		5,846,150	7,725,846
Total liabilities		**9,777,159**	**11,338,840**
TOTAL EQUITY AND LIABILITIES		**21,845,754**	**22,424,264**

The financial statements on pages 17 to 64 were approved by the Board of Directors on 10 April 2013 and were signed on its behalf by:

Director: Zephaniah Mbugua

Director: Gachao Kiuna

The notes set out on pages 25 to 64 form an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2012

ASSETS	Note	2012 KShs'000	2011 KShs'000
Non current assets			
Property, plant and equipment	9	6,622	9,026
Investment property	10	-	265,000
Intangible assets	12	-	31
Quoted investments	13(a)	281	50,135
Unquoted investments	13(b)	253,200	213,751
Investment in subsidiaries	13(c)	9,138,670	8,766,455
Investments in funds	14	393,996	767,553
Loans to subsidiaries	15	493,275	632,658
Deferred tax asset	24(a)	575	74
		10,286,619	10,704,683
Current assets			
Trade and other receivables	17	1,252,356	469,649
Tax receivables		4,329	4,147
Loans to subsidiaries	15	-	116,724
		1,256,685	590,520
TOTAL ASSETS		**11,543,304**	**11,295,203**
EQUITY AND LIABILITIES			
Capital and reserves (Pages 23 - 24)			
Share capital	19	136,975	136,975
Share premium	20	379,717	379,717
Revenue reserves	21(a)	342,436	577,831
Available-for-sale reserve	21(c)	7,865,416	7,530,266
Proposed dividends	22(b)	109,580	68,488
Total equity attributable to equity holders of the company		8,834,124	8,693,277
Total equity		**8,834,124**	**8,693,277**
Non current liabilities			
Long term loan – non-current portion	25	1,853,113	2,309,995
Current liabilities			
Bank overdraft	18	100,245	41,899
Long term loan – current portion	25	576,073	145,913
Trade and other payables	26	144,496	74,663
Unclaimed dividends		323	101
Aureos Fund – other members	14	34,930	29,355
		856,067	291,931
Total liabilities		**2,709,180**	**2,601,926**
TOTAL EQUITY AND LIABILITIES		**11,543,304**	**11,295,203**

The financial statements on pages 17 to 64 were approved by the Board of Directors on 10 April 2013 and were signed on its behalf by:

Director: Zephaniah Mbugua

Director: Gachao Kiuna

The notes set out on pages 25 to 64 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 KShs'000	2011 KShs'000
Net cash flows from operating activities			
Profit before taxation		1,226,473	869,265
Adjustment for non-cash items		(81,525)	(217,627)
Operating profit before working capital changes		**1,144,948**	**651,638**
Increase in trade and other receivables		(869,682)	(1,384,693)
Decrease in inventories		(50,326)	260,910
Decrease in Aureos Fund - Other member		5,575	(1,933)
Increase in trade and other payables		(1,759,713)	2,735,898
Increase in provision for staff gratuity		15,710	3,944
Cash generated from operations		**(1,513,488)**	**2,265,764**
Income tax paid		(689,919)	(250,694)
Dividends paid to shareholders of the company		(68,488)	(53,408)
Dividend paid to non-controlling interest		(81,371)	(109,090)
Net cash flows from operating activities		**(2,353,266)**	**1,852,572**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,464,306)	(147,849)
Purchase of intangible assets		(6,975)	(3,022)
Interest refund on the convertible bond		121,756	-
Investments in subsidiaries, funds and other investments		(797,413)	(4,051,122)
Proceeds from disposal of investments		1,315,579	-
Proceeds from disposal of property, plant and equipment		203,517	9,739
Proceeds from disposal of quoted shares		83,657	14,258
Net cash flows from investing activities		**(544,185)**	**(4,177,996)**
Cash flows from financing activities			
Net movement in loans and borrowing		341,059	118,960
Net proceeds from issue of convertible bond		-	4,452,798
Issue of additional shares		-	276,489
Net cash flows from financing activities		**341,059**	**4,848,247**
Net increase in cash and cash equivalents		**(2,556,392)**	**2,522,823**
Cash and cash equivalents at the end of the year	18	(60,989)	2,495,403
Cash and cash equivalents at the beginning of the year	18	2,495,403	(27,420)
Net increase in cash and cash equivalents		**(2,556,392)**	**2,522,823**

The notes set out on pages 25 to 64 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

2011	Share capital KShs '000	Share premium KShs '000	Revaluation reserves KShs '000	Translation reserve KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs '000	Total KShs'000
Balance at 1 January 2011	133,519	106,684	434,989	367,556	447,682	2,407,642	53,408	3,951,480	1,341,974	5,293,454
Total comprehensive income for the year net of tax										
Net profit after tax	-	-	-	-	-	356,665	-	356,665	259,435	616,100
Other comprehensive income										
Revaluation of property, plant and equipment net of deferred tax	-	-	192,832	-	-	-	-	192,832	4,027	196,859
Exchange adjustment	-	-	-	(126,107)	-	-	-	(126,107)	(13,055)	(139,162)
Net change in fair value for available-for-sale financial assets	-	-	-	-	(183,220)	-	-	(183,220)	-	(183,220)
Release on disposal of quoted shares	-	-	-	-	(29,803)	-	-	(29,803)	-	(29,803)
Total other comprehensive income	**-**	**-**	**192,832**	**(126,107)**	**(213,023)**	**-**	**-**	**(146,298)**	**(9,028)**	**(155,326)**
Total comprehensive income	**-**	**-**	**192,832**	**(126,107)**	**(213,023)**	**356,665**	**-**	**210,367**	**250,407**	**460,774**
Transactions with owners of the group, recorded directly in equity										
Contributions by and distributions to owners of the group										
Dividend paid	-	-	-	-	-	-	(53,408)	(53,408)	(109,090)	(162,498)
Proposed dividends	-	-	-	-	-	(68,488)	68,488	-	-	-
Issue of additional shares	3,456	-	-	-	-	-	-	3,456	-	3,456
Share premium from issue of shares	-	273,033	-	-	-	-	-	273,033	-	273,033
Transfer from non-controlling interest	-	-	(7,249)	(248)	-	61,536	-	54,039	(54,039)	-
Total transactions with owners, recorded directly in equity	**3,456**	**273,033**	**(7,249)**	**(248)**	**-**	**(6,952)**	**15,080**	**277,120**	**(163,129)**	**113,991**
Acquisition of subsidiary with non-controlling interest during the year – Restated (Note 28)	-	-	-	-	-	-	-	-	764,407	764,407
Balance at 31 December 2011	**136,975**	**379,717**	**620,572**	**241,201**	**234,659**	**2,757,355**	**68,488**	**4,438,967**	**2,193,659**	**6,632,626**

The notes set out on pages 25 to 64 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

2012:	Share capital KShs '000	Share premium KShs '000	Revaluation reserves KShs '000	Translation reserve KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs '000	Total KShs'000
Balance at 1 January 2012										
– As previously stated	136,975	379,717	620,572	241,201	234,659	2,757,355	68,488	4,438,967	2,580,702	7,019,669
Prior period adjustments:										
- Prior year adjustment (Note 28)	-	-	-	-	-	-	-	-	(387,043)	(387,043)
Balance at 1 January 2012										
- As restated	136,975	379,717	620,572	241,201	234,659	2,757,355	68,488	4,438,967	2,193,659	6,632,626
Total comprehensive income for the year net of tax										
Net profit after tax	-	-	-	-	-	455,056	-	455,056	285,591	740,647
Other comprehensive income										
Revaluation of property, plant and										
equipment net of deferred tax	-	-	173,206	-	-	-	-	173,206	179,609	352,815
Exchange adjustment	-	-	-	(58,960)	-	-	-	(58,960)	13,838	(45,122)
Net change in fair value of										
available-for-sale financial assets	-	-	-	-	10,913	-	-	10,913	-	10,913
Release on disposal of quoted shares	-	-	-	-	(47,979)	-	-	(47,979)	-	(47,979)
Transfer from translation reserves	-	-	-	248	-	-	-	248	(248)	-
Total other comprehensive income	**-**	**-**	**173,206**	**(58,712)**	**(37,066)**	**-**	**-**	**77,428**	**193,199**	**270,627**
Total comprehensive income	**-**	**-**	**173,206**	**(58,712)**	**(37,066)**	**455,056**	**-**	**532,484**	**478,790**	**1,011,274**
Transactions with owners of the group, recorded directly in equity										
Contributions by and distributions to owners of the group										
Dividend paid	-	-	-	-	-	-	(68,488)	(68,488)	(81,371)	(149,859)
Proposed dividends	-	-	-	-	-	(109,580)	109,580	-	-	-
Total transactions with owners,										
recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**(109,580)**	**41,092**	**(68,488)**	**(81,371)**	**(149,859)**
Balance at 31 December 2012	**136,975**	**379,717**	**793,778**	**182,489**	**197,593**	**3,102,831**	**109,580**	**4,902,963**	**2,591,078**	**7,494,041**

The notes set out on pages 25 to 64 form an integral part of the financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2011

2011:	Share capital KShs '000	Share premium KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000
Balance at 1 January 2011	133,519	106,684	6,010,514	628,754	53,408	6,932,879
Total comprehensive income for the year net of tax						
Profit for the year	-	-	-	17,565	-	17,565
Other comprehensive income for the year						
Net change in fair value of available-for-sale financial assets	-	-	1,549,555	-	-	1,549,555
Available-for-sale reserve released on disposal of quoted shares	-	-	(29,803)	-	-	(29,803)
Total other comprehensive expense	**-**	**-**	**1,519,752**	**-**	**-**	**1,519,752**
Total comprehensive income	**-**	**-**	**1,519,752**	**17,565**	**-**	**1,537,317**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the company						
New shares issued during the year	3,456	273,033	-	-	-	276,489
Dividend paid	-	-	-	-	(53,408)	(53,408)
Proposed dividends	-	-	-	(68,488)	68,488	-
Total transactions with owners for the year	**3,456**	**273,033**	**-**	**(68,488)**	**15,080**	**223,081**
Balance as at 31 December 2011	**136,975**	**379,717**	**7,530,266**	**577,831**	**68,488**	**8,693,277**

The notes set out on pages 25 to 64 form an integral part of the financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2012

2012:	**Share capital KShs '000**	**Share premium KShs '000**	**Available for sale reserve KShs '000**	**Retained reserves KShs '000**	**Proposed dividends KShs'000**	**Total KShs'000**
Balance at 1 January 2012	136,975	379,717	7,530,266	577,831	68,488	8,693,277
Total comprehensive income for the year net of tax						
Profit for the year	-	-	-	(125,815)	-	(125,815)
Other comprehensive income for the year						
Net change in fair value of available-for-sale financial assets	-	-	383,176	-	-	383,176
Available-for-sale reserve released on disposal of quoted shares	-	-	34,678	-	-	34,678
Available-for-sale reserve released on disposal of Funds of funds investments	-	-	(82,704)	-	-	(82,704)
Total other comprehensive expense	**-**	**-**	**335,150**	**-**	**-**	**335,150**
Total comprehensive income	**-**	**-**	**335,150**	**(125,815)**	**-**	**209,335**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the company						
New shares issued during the year						
Dividend paid	-	-	-	-	(68,488)	(68,488)
Proposed dividends	-	-	-	(109,580)	109,580	-
Total transactions with owners for the year	**-**	**-**	**-**	**(109,580)**	**109,580**	**-**
Balance as at 31 December 2012	**136,975**	**379,717**	**7,865,416**	**342,436**	**109,580**	**8,834,124**

The notes set out on pages 25 to 64 form an integral part of the financial statements.

1. REPORTING ENTITY

Trans-Century Limited is a limited liability company incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The consolidated financial statements of the company as at and for the year ended 31 December 2012 comprise the company and its subsidiaries (together referred to as the "Group"). The address of its registered office is as follows:

Emu Registrars
3rd Floor, Suite 8, East wing
The Greenhouse
Ngong Road
PO Box 61120
00200 Nairobi City Square

Where reference is made in the accounting policies to Group it should be interpreted as being applicable to the consolidated or separate financial statements as the context requires.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act.

For Kenyan Companies Act reporting purposes in these financial statements, the balance sheet is presented by the statement of financial position and the profit and loss account is presented by the statement of comprehensive income.

(b) Basis of measurement

The consolidated and company financial statements have been prepared on the historical cost basis except for the following:

- Available-for-sale financial assets are measured at fair value;
- Investment property is measured at fair value; and
- Property and equipment are measured at revalued amounts.
- Investments in subsidiaries (company financial statements) are measured at fair value

(c) Functional and presentation currency

These consolidated financial statements are presented in Kenya shillings (KShs), which is the company's functional currency. All financial information presented has been rounded to the nearest thousand except where otherwise indicated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. The estimates and assumptions are based on the directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key areas of judgement in applying the entities accounting policies are dealt with in the respective accounting policy note or/and disclosure note.

2. BASIS OF PREPARATION (continued)

(e) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Valuation of unquoted investments and subsidiaries

For equity instruments for which no active market exists, the Group uses the price of a recent investment or the earnings multiple to estimate the fair value of these investments. Management uses estimates based on historical data relating to earnings of the investee company and other market based multiples in arriving at the fair value.

The primary assumption in employing the earnings multiple method is that the market has assigned an appropriate value to the benchmark company. The methodology and assumptions used for arriving at the market based multiples are reviewed and compared with other methodologies to ensure there are no material variances.

Valuation of quoted investments

For quoted instruments, the fair value is determined by reference to their value weighted average price at the reporting date.

Valuation of investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The values adopted in the financial statements are based on professional valuation, performed on a regular basis, by registered valuers.

Valuation of property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the professional valuation on the acquisition date performed by registered valuers on an open market value basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all periods presented in these financial statements and have been consistently applied by Group entities, except where indicated otherwise:

(a) Revenue income recognition

(i) Goods sold and services

Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

The revenue is stated net of Value Added Tax (VAT).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Revenue income recognition

(ii) Dividends

Dividend income is recognised in the statement of comprehensive income on the date that the Group's right to receive payment is established.

(iii) Interest on deposits with financial institutions

lInterest on deposits with financial institutions is accounted for on a time proportion basis in profit or loss using the effective interest method.

(iv) Discount on treasury bills

Discount on treasury bills is credited to profit or loss on a straight line basis over the maturity period of the investment.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The consolidated financial statements include the company and its subsidiaries. The significant subsidiaries are as follows:

Subsidiary	Country of incorporation	2012 %	2011 %
Cable Holdings Limited	Kenya	94.8	94.8
East African Cables Limited	Kenya	64.3	64.3
East African Cables Tanzania Limited	Tanzania	34.8	34.8
Avery (East Africa) Limited	Kenya	94.4	94.4
Trans-Century Holdings (Pty) Limited	South Africa	100.0	100.0
Tanelec Limited	Tanzania	70.0	70.0
Crystal Limited	Tanzania	100.0	95.0
TC Mauritius Holdings Limited	Mauritius	100.0	100.0
Cable Holdings Mauritius Limited	Mauritius	100.0	100.0
TC Engineering and Contracting Limited	Mauritius	100.0	100.0
TC Railway Holdings Limited	Mauritius	100.0	100.0
Safari Rail Company Limited	Mauritius	100.0	100.0
Civicon Africa Group Limited	Mauritius	62.0	62.0
Civicon DRC Holdings Limited	Mauritius	69.6	62.0
Cableries du Congo Sprl	Democratic Republic of Congo	100.0	100.0

In the company financial statements, investments in subsidiaries are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

(iii) Venture capital

Investment in Rift Valley Railways Investments Pty Limited ("RVR") has been accounted for as a financial asset with its fair value gains/losses being recognised in profit or loss in the period in which they occur. The investment in RVR is held through Safari Rail Company Limited, a company incorporated in Mauritius.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Translation of foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Kenya Shillings at exchange rates at the reporting date. Foreign currency differences are recognised directly in equity.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

(d) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and impairment.

Cost includes expenditure that is directly attributable to acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure is only capitalised when it is probable that the future economic associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated. The annual rates of depreciation used for the current and comparative periods are as follows:

• Freehold buildings	2% – 5%
• Leasehold buildings	2% or over the lease period if shorter than 50 years on acquisition
• Plant, machinery and equipment	5% - 13%
• Furniture, fixtures, fittings, motor vehicles and computers	12.5% - 33%
• Heavy commercial vehicles	12.5%

The assets' residual values, depreciation methods and useful lives are re-assessed and adjusted as appropriate at each reporting date.

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(f) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(g) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(h) Inventories

Cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Work in progress and manufactured finished goods are valued at production cost including direct production costs (cost of materials and labour) and an appropriate proportion of production overheads and factory depreciation. The cost of inventory is based on the weighted average principle.

If the purchase or production cost is higher than net realisable value, inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(i) Trade and other receivables

Trade and other receivables are stated at amortised cost less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end.

(j) Employee benefits

(i) Defined contribution plans

Some employees of the Group are eligible for retirement benefits under defined contribution plans provided through separate fund arrangements.

Contributions to the defined contribution plan are charged to the profit or loss as incurred.

(ii) Staff gratuity

Unionisable staff for one of the subsidiaries are eligible to a gratuity upon retirement based on 23 days pay for each completed year of service at current salary. A provision is made in the financial statements for the estimated liability of such gratuity payable. Movements in the provision are accounted for in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(j) **Employee benefits (continued)**

(iii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised as an expense in the year and carried in the accruals as a payable.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(k) **Taxation**

Tax on the operating results for the year comprises current tax and change in deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the tax asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, on the basis of the tax rates enacted or substantively enacted at the reporting date.

(l) **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances, and short term deposits net of bank overdrafts.

(m) **Related party transactions**

The group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and group or related companies.

(n) **Dividends**

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are treated as a separate component of equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial instruments

(i) Classification

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. These are classified as follows:

Financial assets at fair value through profit or loss: This category has two subcategories; financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial instruments reclassified in this category are those that the Group holds principally for the purpose of short-term profit taking.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Loans and receivables comprise trade and other receivables, cash and cash equivalents and balances due from Group companies.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Group has positive intent and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale assets are the non-derivative financial assets that are designated as available for sale or are not classified as held for trading purposes, loans and receivables or held to maturity. These include quoted and unquoted investments and investments in funds.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities include loans, bank overdrafts, trade and other payables and Aureos Fund.

(ii) Recognition

The Group recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised.

Held-to-maturity, loans and receivables are recognised on the date they are transferred to the Group.

(iii) Measurement

Financial instruments are measured initially at fair value, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

Loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and presented within equity until the instrument is derecognised or impaired, at which time the cumulative gain or loss is recognised in profit or loss and trading instrument gains or losses are recognised in profit or loss in the period they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial instruments (Continued)

(iv) Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

(p) Intangible assets

(i) Goodwill/Premium on acquisition

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

(iii) Brand

Acquired assets are capitalised and are measured at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over estimated useful life. The estimated useful life of the brand for the current and comparative periods is 20 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(q) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(r) Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specifics to the liability.

(s) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year and changes in accounting policy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements. These are summarised below and are not expected to have a significant impact on the consolidated financial statements of the Group:

- IFRS 9 'Financial Instruments'. IFRS 9 will become mandatory for the Group's 2015 consolidated financial statements.
- IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2013).
- IAS 19 'Employee Benefits (Amended)' (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (2011) Separate Financial Statements (effective 1 January 2013).
- IAS 28 (2011) Investments in Associates and Joint Ventures (effective 1 January 2013).
- Amendments to IAS 1 'Presentation of items of other comprehensive income' (effective 1 July 2012).
- Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011) – effective 1 January 2013.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group and company has exposure to the following risks from its use of financial instruments:

(a) Credit risk;
(b) Liquidity risk; and
(c) Market risk.

This note presents information about the Group and company's exposure to each of the above risks, the Group and company's objectives, policies and processes for measuring and managing risk, and the Group and company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Group and company's risk management framework. The finance department identifies, evaluates and hedges financial risks.

The Board of Directors oversees how management monitors compliance with the Group and company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and company.

(a) Credit risk

Credit risk is the risk of financial loss to the Group and company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and company's receivables from customers.

The carrying amount of financial assets represents the maximum exposure to credit risk:

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (Continued)

	2012 KShs'000	2011 KShs'000
Trade receivables	3,944,987	3,832,356
Cash and bank balances	274,416	2,759,356

Impairment losses

The ageing of trade receivables at the reporting date was:

	2012 KShs'000	2011 KShs'000
Not past due	1,148,465	1,720,301
Past due 0-90 days	965,083	1,022,752
Past due 90-365 days	1,044,648	1,004,302
More than one year	1,078,234	289,745
	4,236,430	4,037,100
Net impairment	(291,443)	(204,744)
	3,944,987	**3,832,356**

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk arises in the general funding of the company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group does not have access to a diverse funding base. Funds are raised mainly from its shareholders, banks and its own internal resources.

The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall company strategy.

In addition, the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The table below shows the contractual maturity of financial liabilities:

2012:

KShs'000	Due on demand	1 - 3 months	3 - 12 months	1 - 5 years	Total
Liabilities:					
Long term loans	9,601	492,418	895,939	3,179,169	4,577,127
Bank overdraft	172,243	163,162	-	-	335,405
Trade and other payables	2,165,497	1,731,960	43,230	7,205	3,947,892
Aureos Fund – other members	34,930	-	-	-	34,930
Total financial liabilities	**2,382,271**	**2,387,540**	**939,169**	**3,186,374**	**8,895,354**

2011:

KShs'000	Due on demand	1 - 3 months	3 - 12 months	1 - 5 years	Total
Liabilities:					
Long term loans	-	1,337,928	-	2,965,304	4,303,232
Bank overdraft	263,953	-	-	-	263,953
Trade and other payables	-	-	5,715,174	-	5,715,174
Aureos Fund – other members	-	-	29,355	-	29,355
Total financial liabilities	**263,953**	**1,337,928**	**5,744,529**	**2,965,304**	**10,311,714**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The company's transactional exposures give rise to foreign currency gains and losses that are recognised in profit or loss.

In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying foreign currencies at spot rates to enable the Group to meet its obligations. The Group's exposure to foreign currency risk was as follows based on notional amounts in US dollars:

	2012 KShs'000	2011 KShs'000
Cash and bank balances	209,985	2,734,100
Investments in funds	393,996	767,553
Unquoted investments	3,957,450	2,820,837
Bank overdraft	(335,405)	(53,304)
Bank loan	(3,699,378)	(1,814,697)
Net statement of financial position exposure	**526,648**	**4,454,489**

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2012 KShs	2011 KShs	2012 KShs	2011 KShs
USD	86.03	85.07	84.52	88.87
TShs	18.42	18.81	18.78	17.89
ZAR	10.14	10.39	10.31	12.27

Sensitivity analysis

A 10 percent strengthening of the Kenya shilling against the following currency would have decreased profit or (loss) by amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011:

	Profit or loss KShs'000
At 31 December 2012:	**(52,685)**
At 31 December 2011:	**(445,449)**

(ii) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rates levels consistent with the company's business strategies. The company does not have any significant interest rate risk exposures as currently all interest bearing borrowings and advances are at a fixed rate.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Interest rate risk

The table below summarizes the contractual maturity periods and interest rate profile of the Group's financial assets and liabilities:

As at 31 December 2012:	Effective interest rate %	On demand KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Non interest bearing KShs '000	Total KShs '000
Assets						
Quoted investments	-	-	-	-	281	281
Unquoted investments	-	-	-	-	4,210,650	4,210,650
Investments in funds	-	-	-	-	393,996	393,996
Trade and other receivables	-	-	-	-	3,944,987	3,944,987
Cash and cash equivalents	-	-	-	-	274,416	274,416
		-	**-**	**-**	**8,824,330**	**8,824,330**
Liabilities:						
Bank loans	-	502,019	895,939	3,179,169	-	4,577, 127
Bank overdraft	-	335,405	-	-	-	335,405
Trade and other payables	-	-	-	-	3,883,406	3,883,406
Aureos Fund – other members	-	-	-	-	34,930	34,930
		837,424	**895,939**	**3,179,169**	**3,918,336**	**8,830,868**
Interest rate sensitivity gap		**(837,424)**	**(895,939)**	**(3,179,169)**	**4,905,994**	**(6,538)**

As at 31 December 2011:	Effective interest rate %	On demand KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Non interest bearing KShs '000	Total KShs '000
Assets						
Quoted investments	-	-	-	-	50,135	50,135
Unquoted investments	-	-	-	-	3,034,588	3,034,588
Investments in funds	-	-	-	-	767,553	767,553
Trade and other receivables	-	-	-	-	3,832,356	3,832,356
Cash and cash equivalents	-	-	-	-	2,759,356	2,759,356
		-	-	-	10,443,988	10,443,988
Liabilities:						
Bank loans	10-23%	-	1,337,928	2,965,304	-	4,303,232
Bank overdraft	8-17%	263,953	-	-	-	263,953
Trade and other payables	-	-	-	-	5,715,174	5,715,174
Aureos Fund – other members	-	-	-	-	29,355	29,355
		263,953	1,337,928	2,965,304	5,744,529	10,311,714
Interest rate sensitivity gap		**(263,953)**	**(1,337,928)**	**(2,965,304)**	**4,699,459**	**132,274**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

(e) Accounting classifications and fair values for financial assets and liabilities

The table below sets out the carrying amounts of each class of financial assets and liabilities, and their fair values:

31 December 2012:	Loans and receivables KShs'000	Available -for-sale KShs'000	Other amortised cost KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Quoted investments	-	281	-	281	281
Unquoted investments	-	4,210,650	-	4,210,650	4,210,650
Investment in funds	-	393,996	-	393,996	393,996
Trade receivables	3,944,987	-	-	3,944,987	3,944,987
Cash and bank balances	274,416	-	-	274,416	274,416
Total assets	**5,878,117**	**4,604,927**	**-**	**8,824,330**	**8,824,330**
Liabilities					
Bank overdraft	-	-	335,405	335,405	335,405
Long term loan	-	-	4,577,127	4,577,127	4,577,127
Trade and other payables	-	-	3,883,406	3,883,406	3,883,406
Aureos Fund- other members	-	-	34,930	34,930	34,930
Total liabilities	**-**	**-**	**8,830,868**	**8,830,868**	**8,830,868**

31 December 2011:	Loans and receivables KShs'000	Available -for-sale KShs'000	Other liabilities KShs'000	Total carrying amount KShs'000	Fair Value KShs'000
Assets					
Quoted investments	-	50,135	-	50,135	50,135
Unquoted investments	-	3,034,588	-	3,034,588	3,034,588
Investment in funds	-	767,553	-	767,553	767,553
Trade receivables	3,832,356	-	-	3,832,356	3,832,356
Cash and bank balances	2,759,356	-	-	2,759,356	2,759,356
Total assets	**6,591,712**	**3,852,276**	**-**	**10,443,988**	**10,443,988**
Liabilities					
Bank overdraft	-	-	263,953	263,953	263,953
Long term loan	-	-	4,303,232	4,303,232	4,303,232
Trade and other payables	-	-	5,715,174	5,715,174	5,715,174
Aureos Fund - other members	-	-	29,355	29,355	29,355
Total liabilities	**-**	**-**	**10,311,714**	**10,311,714**	**10,311,714**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Valuation hierarchy

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

	LEVEL 1	LEVEL 2	LEVEL 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities Listed derivative instruments Listed equities	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters Corporate bonds in illiquid markets
Types of financial liabilities:	Listed derivative instruments	Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2012 and 31 December 2011:

31 December 2012:	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Quoted investments	281	-	-	281
Unquoted investments	-	4,210,650	-	4,210,650
Investments in funds	-	393,996	-	393,996
Total assets	**281**	**4,604,646**	**-**	**4,604,927**

31 December 2011:				
Assets				
Quoted investments	50,135	-	-	50,135
Unquoted investments	-	3,034,588	-	3,034,588
Investments in funds	-	767,553	-	767,553
Total assets	**50,135**	**3,802,141**	**-**	**3,852,276**

5. NET OTHER INCOME

Group:

	2012 KShs '000	2011 KShs '000
Group:		
Gain/(loss) on sale of other quoted securities and dividend from other investments	17,755	(1,298)
Gain on sale of property	97,036	3,289
Change in fair value of investment property	102,430	100,000
Sale of scraps	4,803	9,368
Other income	1,011,256	842,384
	1,233,280	**953,743**

6. RESULTS FROM OPERATING ACTIVITIES

Group	**2012 KShs '000**	**2011 KShs'000**
Results from operating activities are arrived at after charging/(crediting):		
Depreciation	630,231	322,684
Amortisation of prepaid operating lease rentals	4,617	4,661
Amortisation of intangible assets	9,056	9,133
	643,904	336,478
Impairment of goodwill	15,146	-
Provision for inventory	10,298	-
Debtors impairment loss/(gain)	86,699	(11,990)
Directors' emoluments -Fees – Group	29,708	36,277
- Others – Group	7,857	3,411
- Company – Fees	7,863	7,844
Auditors' remuneration - Group and subsidiaries	16,664	19,782
- Company – Current year	3,342	2,800
(Gain)/loss on sale of other quoted securities and dividends from other investments	(52,524)	1,298
Loss/(profit) on disposal of property, plant and equipment	97,036	(3,289)

7. NET FINANCE COSTS

Group	**2012 KShs '000**	**2011 KShs '000**
(a) Finance income		
Interest income	74,902	13,735
Gain on exchange	84,265	46,140
	159,167	59,875
(b) Finance costs		
Interest paid	(893,088)	(690,122)
Loss on exchange	(9,038)	(118,551)
	(902,126)	(808,673)
Net finance cost	**(742,959)**	**(748,798)**

8. INCOME TAX

	2012 KShs '000	2011 KShs '000
Current tax:		
Charge for the year @ 30%	477,842	314,289
Prior years under provision	6,805	21,389
	484,647	335,678
Deferred tax credit:		
Current year (Note 24)	5,190	(83,334)
Prior year under provision (Note 24)	531	821
	5,721	(82,513)
	490,368	**253,165**

The tax on the consolidated results differs from the theoretical amount using the basic tax rate as follows:

	2012 KShs'000	2011 KShs '000
Accounting profit before tax	**1,226,473**	**869,265**
Tax at the domestic rate of 30%	367,942	260,780
Previous years under provision		
- Current tax	7,456	22,607
- Deferred tax	531	821
Effect of taxes in foreign jurisdictions*	(95,327)	169,159
Deferred tax not recognised	23,638	15,606
Tax effect of non-deductible expenses and non-taxable income	186,128	(215,808)
Income tax expense	**490,368**	**253,165**

* Trans-Century Holdings Proprietary Limited operates in South Africa where corporate taxes are 28%, Trans-Century Mauritius Limited, Cable Holding Mauritius Limited, TC Railway Holdings Limited and Safari Rail Company Limited operate in Mauritius where the corporate tax rate is 15%.

9. PROPERTY, PLANT AND EQUIPMENT

Group

2012:	Heavy Commercial vehicles KShs'000	Freehold land and buildings KShs'000	Leasehold land and buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress KShs'000	Total KShs'000
Cost :								
At 1 January 2012	1,326,689	573,665	2,436,594	3,181,480	378,681	208,318	110,034	8,215,461
Reclassifications	77,830	-	(76,156)	(3,996)	(3,056)	3,411	1,967	-
Additions	309,620	-	7,048	850,136	87,620	46,613	163,269	1,464,306
Transfers	261,209	-	59,176	(205,255)	(1,310)	-	(83,055)	30,765
Disposals	(196,658)	-	(1,393)	(5,510)	(15,008)	(1,493)	(2,442)	(222,504)
Released on disposal of subsidiary	-	-	(53,140)	(63,104)	(46,468)	-	-	(162,712)
Revaluation - subsidiaries	-	-	279,516	(188,616)	501	(441)	-	90,960
Exchange differences	13,361	(4,893)	23,284	19,122	5,106	1,262	1,147	58,389
At 31 December 2012	1,792,051	568,772	2,674,929	3,584,257	406,066	257,670	190,920	9,474,665
Comprising:								
Cost	1,792,051	383,124	408,408	1,519,153	100,709	105,023	181,932	4,490,400
Valuation	-	185,648	2,266,521	2,065,104	305,357	152,647	8,988	4,984,265
	1,792,051	568,772	2,674,929	3,584,257	406,066	257,670	190,920	9,474,665
Depreciation:								
At 1 January 2012	922,318	59,501	162,297	907,556	216,728	128,852	-	2,397,252
Reclassifications	19,634	(4,992)	(14,451)	(12,061)	10,722	337	811	-
Charge for the year	207,650	13,764	58,799	273,589	54,334	22,095	-	630,231
Disposals / write offs	(102,648)	-	(76)	(611)	(12,268)	(420)	-	(116,023)
Released on disposal of subsidiary	-	-	(8,032)	(30,491)	(24,759)	-	-	(63,282)
Revaluation - subsidiaries	-	-	(96,684)	(286,891)	(15,053)	(1,576)	-	(400,204)
Exchange differences	87,497	(1,986)	31,562	28,301	10,762	5,357	(652)	160,841
At 31 December 2012	1,134,451	66,287	133,415	879,392	240,466	154,645	159	2,608,815
Carrying value:								
At 31 December 2012	**657,600**	**502,485**	**2,541,514**	**2,704,865**	**165,600**	**103,025**	**190,761**	**6,865,850**

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group 2011:	Heavy Commercial vehicles KShs'000	Freehold land and buildings KShs'000	Leasehold land and buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress KShs'000	Total KShs'000
Cost :								
At 1 January 2011	-	438,301	1,437,793	2,158,277	105,439	87,872	117,618	4,345,300
Assets acquired on acquisition of subsidiaries	1,326,689	-	954,010	947,176	243,214	100,356	25,968	3,597,413
Additions	-	-	11,433	61,528	33,271	22,830	18,787	147,849
Transfers	-	198	47,445	-	-	-	(47,445)	198
Disposals	-	-	(414)	(6,819)	(3,133)	(335)	-	(10,701)
Revaluation - subsidiaries	-	169,911	-	71,728	-	-	-	241,639
Exchange differences	-	(34,745)	(13,673)	(50,410)	(110)	(2,405)	(4,894)	(106,237)
At 31 December 2011	1,326,689	573,665	2,436,594	3,181,480	378,681	208,318	110,034	8,215,461
Comprising:								
Cost	1,326,689	353,470	558,481	928,064	100,797	78,731	69,451	3,415,683
Valuation	-	220,195	1,878,113	2,253,416	277,884	129,587	40,583	4,799,778
	1,326,689	573,665	2,436,594	3,181,480	378,681	208,318	110,034	8,215,461
Depreciation:								
At 1 January 2011	-	55,294	32,175	429,666	41,293	53,494	-	611,922
Accumulated depreciation on assets acquired	877,094	-	93,823	330,248	147,027	62,665	-	1,510,857
Charge for the year	45,224	9,951	49,492	171,014	32,415	14,588	-	322,684
Disposals	-	-	-	(1,136)	(2,923)	(192)	-	(4,251)
Revaluation - subsidiaries	-	-	(11,464)	(9,236)	-	-	-	(20,700)
Exchange differences	-	(5,744)	(1,729)	(13,000)	(1,084)	(1,703)	-	(23,260)
At 31 December 2011	922,318	59,501	162,297	907,556	216,728	128,852	-	2,397,252
Carrying value:								
At 31 December 2011	**404,371**	**514,164**	**2,274,297**	**2,273,924**	**161,953**	**79,466**	**110,034**	**5,818,209**

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company - Furniture, fittings and equipment

	2012 KShs'000	2011 KShs'000
Cost or valuation:		
At 1 January 2012	17,386	14,153
Additions	959	3,233
Disposals/write offs	(1,175)	-
At 31 December 2012	17,170	17,386
Depreciation:		
At 1 January 2012	8,360	6,188
Charge for the year	3,084	2,172
Disposals/write offs	(896)	-
At 31 December 2012	10,548	8,360
At 31 December 2012	**6,622**	**9,026**

Revaluation

The buildings of one of the subsidiaries, East African Cables Limited, were revalued in December 2009 by Lloyd Masika Limited, a firm of professional valuers on the basis of open market value for existing use. The increase in net carrying value as a result of the revaluation was credited to a revaluation reserve account.

All the property, plant and equipment of a subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2010 by Lloyd Masika Limited, a firm of professional valuers on the basis of open market value for existing use.

The property, plant and equipment of a subsidiary, Tanelec Limited – Tanzania were revalued in August 2007 by Lloyd Jones Limited, a firm of professional valuers on the basis of open market value for existing use and were used to determine fair values of these assets at the date of acquisition.

The land and buildings of one of the subsidiaries, Avery (East Africa) Limited were revalued in December 2011 by an independent valuer from a firm of professional valuers on the basis of open market value for existing use. The resulting surplus was credited to revaluation reserve.

The property, plant and equipment of one of the subsidiaries, Kewberg Cables & Braids Proprietary Limited were revalued on 1 August 2011 and 13 October 2011, respectively, by an independent valuer, Chris van Rooyen, a professional valuer of Chris van Rooyen Property Valuers CC. The property valuation was performed using the income capitalisation method assuming (a) a capitalisation rate of 11.50% and (b) market related rentals. The plant and machinery valuation was performed using the replacement value approach assuming (a) A willing seller and a willing buyer exists, (b) the equipment will be freely exposed to the market, (c) a reasonable time would be allowed for the sale at a static price and (d) all values as indicated are net of removal costs, to determine the current value.

Security

At 31 December 2011, properties of subsidiaries have been charged to secured banking facilities per Note 18.

10. INVESTMENT PROPERTY	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
Valuation				
At 1 January	474,003	345,502	265,000	165,000
Acquired on acquisition of subsidiary	-	30,422	-	-
Transfer from property, plant and equipment (Note 9)	(30,765)	-	-	-
Fair value changes	102,430	100,000	-	100,000
Disposals	(265,000)	-	(265,000)	-
Currency changes	4,457	(1,921)	-	-
At 31 December	**285,125**	**474,003**	**-**	**265,000**

Revaluation

The company acquired a piece of freehold land in 2006 at KShs 46,309,000 for investment purposes. The land was carried at Directors valuation of KShs 265 million based on prevailing market prices at 31 December 2011. The investment property was disposed during the year ended 31 December 2012.

The investment property of the subsidiary, East African Cables Limited, comprises of residential properties that have been leased to a third party which were revalued by Lloyd Masika Limited (Kenya and Tanzania) in 2012.

The properties are leased on a renewable annual lease.

11. PREPAID OPERATING LEASE RENTALS

	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
At 1 January	157,904	160,200	-	-
Amortisation for the year	(4,617)	(4,661)	-	-
Transfer to property and equipment	-	(198)	-	-
Exchange adjustment	(3,369)	2,563	-	-
At 31 December	**149,918**	**157,904**	**-**	**-**

12. INTANGIBLE ASSETS

(a) Group

2012:	Software KShs '000	Goodwill KShs '000	Brand KShs '000	Total KShs '000
Cost				
At 1 January				
-as previously stated	48,637	1,963,593	84,794	2,097,024
Prior year adjustment	-	607,216	-	607,216
Restated-1 January	48,637	2,570,809	84,794	2,704,240
Released on disposal				
of subsidiary	-	(256,627)	(7,559)	(264,186)
Additions	6,975	-	-	6,975
Exchange differences	195	43,479	(2,026)	41,648
At 31 December	55,807	2,357,661	75,209	2,488,677
Amortisation				
At 1 January	20,980	(832)	22,682	42,830
Amortisation	4,789	-	4,267	9,056
Impairment of goodwill	-	15,146	-	15,146
Released on disposal				
of subsidiary	-	(12,384)	(1,134)	(13,518)
Exchange differences	6,155	-	(584)	5,571
At 31 December	31,924	1,930	25,231	59,085
Carrying value				
At 31 December	**23,883**	**2,355,731**	**49,978**	**2,429,592**
2011:				
Cost				
At 1 January	30,944	277,371	99,764	408,079
On acquisition of				
Subsidiaries-restated	14,671	2,699,957	-	2,714,628
Additions	3,022	-	-	3,022
Exchange differences	-	(406,519)	(14,970)	(421,489)
At 31 December-restated	48,637	2,570,809	84,794	2,704,240
Amortisation				
At 1 January	16,520	(635)	21,065	36,950
Amortisation	4,486	-	4,647	9,133
Exchange differences	(26)	(197)	(3,030)	(3,253)
At 31 December	20,980	(832)	22,682	42,830
Carrying value				
At 31 December-restated	**27,657**	**2,571,641**	**62,112**	**2,661,410**

12 INTANGIBLE ASSETS (Continued)

(b) Company – Software	2012 KShs '000	2011 KShs '000
Cost		
At 1 January and 31 December	337	337
Amortisation		
At 1 January	306	237
Amortisation during the year	31	69
At 31 December	337	306
Carrying value at 31 December	**-**	**31**

(c) Goodwill on acquisition of Trans-Century Holdings Pty Limited

The goodwill recognised represents the excess of the business combination over the acquired business' fair value of the identifiable assets and liabilities.

The business was acquired at 7 September 2007 and the fair values determined at that date were relied upon to support the carrying value of the goodwill recognised due to the proximity of the year end to the acquisition date. The carrying amount of the goodwill is reviewed annually on the basis of forecast profits of the cash generating assets and forecast sales of the products.

(d) Goodwill on acquisition of Crystal Limited

The goodwill recognised represents the excess of the business combination over the acquired business fair value of the identifiable assets and liabilities.

Given the proximity of the year end to the acquisition of the business at 31 July 2008, the fair values determined at that date were relied upon to support the carrying value of the goodwill recognised. The carrying amount of the goodwill is reviewed annually on the basis of forecast profits of the cash generating assets and forecast sales of the products.

The goodwill has been released at 31December 2012 on disposal of Chai Bora Limited per Note 29 below.

(e) Goodwill on acquisition of Civicon Group and Pende Group

The goodwill recognised represents the excess of the business combination over the acquired business' fair value of the identifiable assets and liabilities. The businesses were acquired on 30 September 2011 and 31 May 2011 for Civicon Group and Pende group respectively and the fair values determined at that date were relied upon to support the carrying value of the goodwill recognised due to the proximity of the year end to the acquisition date. The carrying amount of the goodwill is reviewed annually on the basis of forecast profits of the cash generating assets and forecast sales of the products.

(f) Brand

In accordance with IFRS 3 – Business Combinations, a valuation of the brand acquired was performed. This valuation was calculated as the present value of profits and KShs 1.122 billion (120 million Rand) turnover for 2008 and using 5% growth in revenues from 2009. The useful life of the brand has been assessed over 20 years. The discount rate of 20.6% was used.

13. INVESTMENTS	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
(a) Quoted shares				
Movement during the year:				
At 1 January	50,135	93,625	50,135	93,625
Disposals	(49,854)	(13,687)	(49,854)	(13,687)
Fair value loss in the year	-	(29,803)	-	(29,803)
At 31 December	**281**	**50,135**	**281**	**50,135**
Comprising:				
Cost	18,006	102,586	18,006	102,586
Cumulative fair value change	(17,725)	(52,451)	(17,725)	(52,451)
	281	**50,135**	**281**	**50,135**
(b) Unquoted shares				
RVR Investments (PTY) Limited (RVR) (Registered in Mauritius):	3,855,686	2,820,837	-	-
Development Bank of Kenya Limited				
Cost	78,689	78,689	78,689	78,689
Cumulative fair value gain	174,511	135,062	174,511	135,062
	253,200	213,751	253,200	213,751
Mwangaza Limited				
Cost	101,764	-	-	-
Cumulative fair value gain	-	-	-	-
	101,764	-	-	-
	4,210,650	**3,034,588**	**253,200**	**213,751**

Trans-Century Limited initially entered into a subscription agreement to acquire 20% of shares in RVR Investments (Proprietary) Limited (RVR) in 2006, a company organised under the Laws of Mauritius. The total investment for the initial 20% stake in RVR was US$ 9 million that has been paid in full. By 2011 the company has made additional investments in RVR beyond the initial US$ 9 million thereby increasing its shareholding in RVR from its initial 20% to 34%.

In 2010, a new lead investment Company was established, named KU Railways Holdings (KURH) in place of the initial lead investor Sheltam Rail Company (SRC) and under the amended concession agreements, the shareholders of RVR swopped their shares in RVR for shares in KURH in order to take up shareholding in the new lead investor. The Company therefore owns 34% of KURH, through its subsidiary undertaking Safari Rail Company Limited, a company organised under the Laws of Mauritius which is a wholly owned subsidiary of the Company. KURH (new lead investor) currently owns 100% of RVR (Concession Holding Company, through which the Company initially invested).

13. INVESTMENTS (Continued)

(b) Unquoted shares (continued)

In 2011, RVR kicked off the turnaround effort aimed at increasing capacity of the railway, with the following being the key milestones;(a)Signing and first drawdown by RVR of the $164 million debt package in December 2011 (b) Injection of USD82 million capital injection by the shareholders and (c) Final appointments of key management positions. The key activities are on course with the first projects being track improvement, wagon refurbishment, locomotive refurbishment and systems upgrades.

In 2012, RVR embarked on its planned turnaround plan after receiving its first debt drawdown in December 2011. By end of 2012, over USD 100 million has been invested in the turnaround programme with the following impact; (a) Rehabilitation of over 50% of the dilapidated track between Mombasa and Nairobi and replaced 5 out of 9 culverts in Uganda (b) Refurbishment and overhaul of over 350 wagons (c) Launch of the locomotive rehabilitation and overhaul programme (d) Installation of a new ERP system.

The investment in KURH/RVR is carried at fair value through profit or loss. The fair value as at 31 December 2011 and 31 December 2012 was estimated through a valuation technique designed by the directors which assumed a blended average of various valuation methods namely; the Precedent transactions analysis, Discounted Cash Flows (DCF) analysis, Internal Rate of Return (IRR) analysis and the comparable companies analysis. The concession agreement signed between RVR and the Governments of Kenya and Uganda remains in place and forms the basis of operation of RVR. Based on the foregoing factors, the directors believe that the value of the investment in RVR is fairly stated.

(c) Investment in subsidiaries – Fair value/cost

	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
Cable Holdings (Kenya) Limited 94.8113% (2010 – 94.8113%):				
Cost	-	-	271,681	271,681
Cumulative fair value gain	-	-	2,212,973	2,026,972
	-	-	2,484,654	2,298,653
Avery Kenya Limited 94.4058% (2011 – 94.4058%):				
Cost	-	-	49,853	49,853
Cumulative fair value gain	-	-	602,496	606,651
	-	-	652,349	656,504
Tanelec Limited 70% (2011 – 70%):				
Cost	-	-	78,720	78,720
Cumulative fair value gain	-	-	876,742	853,043
	-	-	955,462	931,763
Trans-Century Holdings Pty Limited 100% (2011 – 100%):				
Cost	-	-	122,167	122,167
Cumulative fair value gain	-	-	791,453	771,568
	-	-	913,620	893,735
Crystal Limited 100% (2011 – 95%):				
Cost	-	-	52	52
Cumulative fair value gain	-	-	-	854,175
	-	-	52	854,227

13. INVESTMENTS (Continued)

(c) Investment in subsidiaries – Fair value/cost (continued)

	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
Trans-Century Mauritius Holdings Limited (100%)				
Cost	-	-	973,103	973,103
Cumulative fair value gain	-	-	3,159,430	2,158,470
	-	-	4,132,533	3,131,573
Total investment in subsidiaries	**-**	**-**	**9,138,670**	**8,766,455**

The company holds 94.8113% (2011 – 94.8113%) shareholding in Cable Holdings Limited which leads to an effective shareholding of 64.3614% (2011 – 64.3614%) of East Africa Cables Limited (A company listed on the Nairobi Securities Exchange).

In the year 2005, the company acquired 94.4058% shareholding in Avery (East Africa) Limited.

In year 2007, the company acquired 70% shareholding in Tanelec Limited. The company holds 100% shareholding in Crystal Limited which was acquired in 2008. Crystal Limited in turn has a shareholding of 95% in Chai Bora Limited. Crystal limited disposed off its 95% shareholding of Chai Bora limited on 31 December 2012.

The company holds 100% shareholding in Trans-Century Mauritius Holdings, a company incorporated in Mauritius. The company was set up in 2009.

Fair value determined based on fair value policy per Note 2(e)

14. INVESTMENT IN FUNDS

Group and Company

The fund value has been disclosed at its fair value at the year end and fair value gains and losses have been accounted for through other comprehensive income.

	2012 KShs '000	2011 KShs '000
Aureos East Africa (AEAF)	38,684	35,485
Aureos South Asia (ASAF)	180,180	172,196
Aureos China (ACF)	107,959	137,138
Business Partners International (BPI)	67,173	62,156
Helios Investors LP (Helios)	-	194,447
Helios Investors Kili Parallel LLP (KILI LLP)	-	166,131
	393,996	**767,553**

Aureos East Africa Fund:

The company has committed to invest US$ 500,000 in the fund.

The investment at cost is allocated as follows:	2012 KShs '000	2011 KShs '000
Total calls	38,684	35,485
Company portion	(3,754)	(6,130)
Attributable to other members	**34,930**	**29,355**

Calls made to 31 December 2012 amounted to US$ 230,925 (2011 - US$ 230,925).

The fair value of the investment is KShs 38,684,000 (2011- KShs 35,485,000).

14. INVESTMENT IN FUNDS (Continued)

	ASAF	AEAF	ACF	BPI	Helios	KILI LLP	TOTAL
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Commitment :							
-31 December 2012	2,500	500	2,000	1,500	-	-	6,500
-31 December 2011	2,500	500	2,000	1,500	2,500	2,000	11,000
% holding:							
-31 December 2012	2.94%	1.25%	5.48%	10.64%	-	-	
-31 December 2011	2.94%	1.25%	5.48%	10.64%	1.00%	1.56%	
Outstanding commitment:							
At 31 December 2012	302	5	560	427	-	-	1,294
At 31 December 2011	930	269	582	427	405	-	2,613
2012	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Valuation:							
At 1 January 2012	172,196	35,485	137,138	62,156	194,447	166,131	767,553
Additions/(redemptions) during the year	27,166	-	1,845	(13,455)	10,500	-	26,056
Fair value gain/(loss)	(19,182)	3,199	(31,024)	18,472	2,286	1,876	(24,373)
Disposals during the year	-	-	-	-	(207,233)	(168,007)	(375,240)
At 31 December 2012	**180,180**	**38,684**	**107,959**	**67,173**	**-**	**-**	**393,996**
2011	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Valuation:							
At 1 January 2011	194,692	45,218	134,452	59,419	209,214	271,273	914,268
Additions/(redemptions) during the year	(785)	(10,490)	22,452	12,835	22,309	-	46,321
Fair value gain/(loss)	(21,711)	757	(19,766)	(10,098)	(37,076)	(105,142)	(193,036)
At 31 December 2011	**172,196**	**35,485**	**137,138**	**62,156**	**194,447**	**166,131**	**767,553**

15. LOANS TO SUBSIDIARIES	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
Payable after 12 months:				
Trans-Century Holdings Proprietary Limited				
- South Africa	-	-	380,985	196,487
Crystal Ltd – Tanzania	-	-	91,038	436,171
Cable Holdings (Kenya) Limited	-	-	21,252	-
	-	**-**	**493,275**	**632,658**
Payable within 12 months:				
Chai Bora Ltd – Tanzania	-	-	-	73,710
Trans-Century Holdings Proprietary Limited	-	-	-	43,014
	-	**-**	**-**	**116,724**
16. INVENTORIES				
Raw materials	581,059	642,159	-	-
Finished goods	569,663	551,598	-	-
Work in progress	228,995	201,299	-	-
Goods in transit	48,991	79,013	-	-
Spares and lubricants	89,707	172,310	-	-
Machines	73,030	40,981	-	-
Consumables	25,618	35,004	-	-
Containers	1,499	1,587	-	-
Provision for obsolete and slow				
moving stocks	(25,021)	(14,723)	-	-
	1,593,541	**1,709,228**	**-**	**-**
17. TRADE AND OTHER RECEIVABLES				
Trade receivables	4,236,430	4,037,100	-	-
Bad debts provision	291,443)	(204,744)	-	-
	3,944,987	3,832,356	-	-
Sundry receivables and prepayments	1,654,256	1,112,688	249,100	117,268
Staff receivables	4,458	4,218	5,629	-
Due from related parties (Note 27(h))	-	-	997,627	352,381
	5,603,701	**4,949,262**	**1,252,356**	**469,649**
18. CASH AND CASH EQUIVALENTS				
Cash and bank balances	274,416	2,759,356	-	-
Bank overdraft	(335,405)	(263,953)	(100,245)	(41,899)
Total cash and cash equivalents	**(60,989)**	**2,495,403**	**(100,245)**	**(41,899)**

Bank facilities

The Group has entered into facilities with various banks which are secured by pledge over various marketable listed stock exchange shares including East African Cables Limited shares equivalent to KShs.1.9 billion (2011 – KShs 4.7 billion).

18. CASH AND CASH EQUIVALENTS (Continued)

A subsidiary, East African Cables Limited, has entered into a facility with a bank and is secured over certain land and buildings for KShs 870 million (2011 - KShs 870 million) and a debenture over all assets of the company for KShs 2.1 billion (2011 - KShs 2.1 billion). The bank facility comprises overdraft, term loan, letters of credit, bonds/guarantee and forex dealing.

A subsidiary, East African Cables (Tanzania) Limited, has a bank overdraft for working capital management and a short term post-import financing loan with Standard Bank (Tanzania) Limited. The facility is charged against the leasehold land and moveable assets of the subsidiary. The subsidiary also has a long term facility of KShs 44 million equivalent (2011 - KShs 44 million) with Kenya Commercial Bank Tanzania Limited for the purchase of machinery. The loan is secured by the machinery purchased.

A subsidiary of Trans-Century Holdings (Proprietary) Limited, Kewberg Cables & Braids (Proprietary) Limited, has ceded and pledged to the Standard Bank of South Africa, all its rights in and to book debts and other debts and any claim, due or to become due to it of KShs 72.5 million equivalent (2011 - Nil) . The loans at the subsidiary are secured over property, plant, equipment and current assets.

A subsidiary of Crystal Limited, Chai Bora Limited, secured two medium term facilities from CRDB Bank Limited in 2012 and 2007; a Shs 500 million and USD 1,150,000 term loan respectively. The facility obtained in 2012 was used to finance asset purchases while the 2007 facility was used to repay existing borrowings with Standard Chartered Bank Tanzania Limited. The loan and bank overdraft facility is secured by legal mortgage over industrial buildings, fixed and floating debentures over all the assets of the company and cross company guarantee and indemnity from Trans-Century Limited but later taken on by Catalyst Principals on 31 December 2012.

A subsidiary, Tanelec Limited, has a bank loan facility with Stanbic Bank Tanzania Limited which is due on December 2013 and attracts interest at 9%p.a. and a finance lease with respect to asset financing at the rate of 8.5%. The facility is secured with first charge over certain company assets, with a carrying value of TShs 9,256,056,000 (KShs 72.5 million equivalent) and a corporate guarantee by Trans-Century Limited to cover the credit facility by 125%.

A subsidiary, Avery (East Africa) Limited, has a bank overdraft facility with Chase Bank (Kenya) Limited for KShs 100 million secured by its leasehold land and building. Interest is charged at base lending rate minus 1%.

A subsidiary, Safari Rail Company Limited, has entered into an interest free loan facility agreement of USD 6 million with Ambience Rail Company (Pty) Limited. This loan can only be used for the purpose of meeting capital requirements in Rift Valley Railways Company Limited. The loan is unsecured and repayable only out of dividends received or from the proceeds of sale of the company's interest in the investee company

19. SHARE CAPITAL

	2012 KShs '000	2011 KShs '000
Group and Company		
Authorised		
600,000,000 (2011 - 600,000,000)		
Ordinary shares of KShs 0.50 each	**300,000**	**300,000**
Issued and fully paid		
At 1 January 273,950,284 (2011 - 267,038,090)		
Ordinary shares of KShs 0.50 (2011 - KShs 0.50) each	136,975	133,519
2012 - Nil (2011 - 6,912,194)		
Ordinary shares of KShs 0.50 each (2011 – KShs 0.50) each	-	3,456
At 31 December 273,950,284 (2011 - 273,950,284)		
Ordinary shares of KShs 0.50 (2011 - 0.50) each	**136,975**	**136,975**

Conversion of bond in 2011

The company issued a convertible bond in 2011 as detailed in Note 23. The 6,912,194 additional shares in the year relates to conversion of bond valued at US$ 3,435,000.

All shares rank equally with regard to the company's residual assets. The holders of shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at annual and general meetings of the company.

20. SHARE PREMIUM

	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
At 1 January	379,717	106,684	379,717	106,684
Conversion of convertible bond of 6,912,194 shares at conversion price of KShs 40	-	273,033	-	273,033
At 31 December	**379,717**	**379,717**	**379,717**	**379,717**

21. RESERVES

(a) Revenue Reserves

Revenue reserves relate to accumulated profits over the years.

(b) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(c) Available for sale reserve

The available for sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised.

(d) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment prior to its reclassification as investment property.

22. PROPOSED DIVIDENDS AND EARNINGS

(a) Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of KShs 455,056,000 (2011 – KShs 356,665,000) and a weighted average number of ordinary shares outstanding during the year of 273,950,284 (2011 – 269,342,155).

	2012 KShs '000	2011 KShs '000
Profit attributable to ordinary shareholders	**455,056**	**356,665**

Diluted earnings per share is calculated by adjusting the earnings and weighted average number of ordinary shares outstanding during the year for the effects of dilutive options and other dilutive potential ordinary shares.

The calculation of diluted earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of KShs 712,859,000 (2011 – KShs 430,840,000) and a weighted average number of ordinary shares outstanding after adjustment for all the effects of all dilutive potential ordinary shares of 370,454,478 (2011 – 348,943,069).

22. PROPOSED DIVIDENDS AND EARNINGS (continued)

(b) Proposed dividends

	2012 KShs '000	2011 KShs '000
Balance brought forward	68,488	53,408
Final proposed for the year	109,580	68,488
Paid or transferred to liabilities in the year	(68,488)	(53,408)
	109,580	**68,488**

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. During the year the directors paid the 2011 final dividend of KShs 68,487,571 and recommend a final dividend of KShs 0.40 per share amounting to KShs 109,580,114

23. CONVERTIBLE BOND

During the year ended 31 December 2011 the group issued a United States Dollar (USD) denominated convertible bond through one of its subsidiary, TC Mauritius Holdings Limited. The total amount of the convertible bond issued was USD 54,270,000 and some of the bond holders converted their portion of the bond to ordinary shares during the year ended 31 December 2011 amounting to USD 3,435,000. The movement in the bond during the year is as follows:

	2012 KShs '000	2011 KShs '000
At 1 January	4,452,798	-
Issued during the year	-	4,368,266
Interest accrued	188,334	121,455
Interest paid	(121,455)	-
Forex gains/(losses)	54,877	239,566
Conversion during the year	-	(276,489)
At 31 December	**4,574,554**	**4,452,798**

The terms of the convertible bond are as follows:

- Term of bond: 5 year, maturing on 25 March 2016;
- Interest rate: 6% per annum cash coupon paid annually and 6% per annum payment in kind to be paid at the end of 5th year should the Bond not be converted. The payment in kind interest not accrued in the books amount to Kshs 129m (2011: Nil).
- The company has reserved 150,929,616 ordinary shares to cater for conversion of the bond into shares, of which 6,912,194 was issued on conversion during the year ended 31 December 2011.
- The convertible bond is converted at a fixed conversion foreign exchange rate of 80.49135 to US$1.00.

24 . DEFERRED TAX (ASSET)/LIABILITY

(a) Deferred tax asset

(i) Group

	At 1 January KShs'000	Reclassification KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised in other comprehensive income KShs'000	Exchange difference KShs'000	At 31 December KShs'000
2012:						
Property, plant and equipment	**74**	-	**501**	-	-	**575**
2011:						
Property, plant and equipment	(1,006)	1,131	-	(51)	-	74
Provisions	3,598	(3,598)	-	-	-	-
Unrealised exchange losses	128	(128)	-	-	-	-
	2,720	**(2,595)**	-	**(51)**	-	**74**

(ii) Company

	At 1 January KShs'000	Reclassification KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised in other comprehensive income KShs'000	Exchange difference KShs'000	At 31 December KShs'000
2012:						
Property, plant and equipment	**74**	-	**501**	-	-	**575**
2011:						
Property, plant and equipment	**125**	-	**(51)**	-	-	**74**

24. DEFERRED TAX (ASSET)/LIABILITY (Continued)

(b) Deferred tax liability

(i) Group

2012:	At 1 January KShs'000	Reclassification KShs'000	Acquired on acquisition of subsidiary KShs'000	Recognised through income statement KShs '000	Prior year (over)/under provision	Recognised in equity KShs'000	Exchange difference KShs'000	At 31 December KShs'000
Staff gratuity provision	(6,519)	-	-	2,239	-	-	44	(4,236)
Other provisions and accruals	(105,593)	-	5,975	(30,546)	-	-	48,194	(81,970)
Unrealised exchange gain	45,215	-	-	655	-	-	(19,504)	26,366
Property, plant and machinery	685,110	-	(15,266)	33,343	531	138,349	(64,789)	777,278
Deferred tax liability	**618,213**	**-**	**(9,291)**	**5,691**	**531**	**138,349**	**(36,055)**	**717,438**
2011:								
Staff gratuity provision	(5,789)	-	-	(773)	-	-	43	(6,519)
Other provisions and accruals	(110,291)	(3,598)	(4,966)	11,122	780	-	1,360	(105,593)
Unrealised exchange gain	64,526	(128)	2, 279	22,751	-	-	(44,213)	45,215
Property, plant and machinery	642,300	1,131	34,693	(116,434)	41	71,666	51,713	685,110
Deferred tax liability	**590,746**	**(2,595)**	**32,006**	**(83,334)**	**821**	**71,666**	**8,903**	**618,213**

25. LOANS	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
Bank loans -Long term	2,252,075	2,965,304	1,853,113	1,709,699
-Short term	2,325,052	1,337,928	-	-
Loans from subsidiaries (Note 27(g))	-	-	576,073	746,209
	4,577,127	**4,303,232**	**2,429,186**	**2,455,908**
Payable after 12 months	3,179,169	2,965,304	1,853,113	2,309,995
Payable within 12 months	1,397,958	1,337,928	576,073	145,913
	4,577,127	**4,303,232**	**2,429,186**	**2,455,908**

The bank loans are granted under the bank facilities per Note 18 above.

26. TRADE AND OTHER PAYABLES

	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
Trade payables	3,251,594	1,904,611	-	-
Sundry creditors	631,812	2,741,514	144,496	74,663
	3,883,406	**4,646,125**	**144,496**	**74,663**

27. RELATED PARTIES TRANSACTIONS

The following transactions were carried out with related parties:

	2012 KShs'000	2011 KShs'000
(a) Directors and executive officers Group and Company		
Directors emoluments – Group	29,708	36,277
Others	7,857	3,411
Company fees	7,863	7,844
	45,428	**47,532**
(b) Inter-company sales – Group		
From East African Cables Limited to Tanelec Limited	30,286	33,927
From Avery (East Africa) Limited to East African Cables Limited	327	8,662
From Chai Bora Limited to Avery (EA) Limited	-	307
	30,613	**42,896**
(c) Interest income - Company		
Chai Bora Limited	12,565	11,154
Crystal Limited	3,509	4,191
	16,074	**15,345**

27. RELATED PARTIES TRANSACTIONS (continued)

	2012 KShs'000	2011 KShs'000
(d) Dividends receivable - Company		
Cable Holdings (Kenya) Limited	146,630	178,618
Avery (East Africa) Limited	3,073	22,907
Tanelec Limited	-	16,302
	149,703	**217,827**
(e) Technical fees - Company		
Tanelec Limited	40,560	42,214
Kewberg Cables and Braid (Pty) Limited	-	31,453
Avery (East Africa) Limited	9,737	9,761
Chai Bora Limited	28,672	33,121
	78,969	**116,549**
(f) Loans to subsidiaries - Company		
Payable after 12 months:		
Trans-Century Holdings (Proprietary) Limited - South Africa	380,985	196,487
Crystal Ltd – Tanzania	91,038	436,171
Tanelec Ltd – Tanzania	21,252	-
	493,275	**632,658**
Payable within 12 months:		
Chai Bora Ltd – Tanzania	-	73,710
Trans-Century Holdings (Proprietary) Limited	-	43,014
	-	**116,724**
(g) Loan from subsidiary - Company		
Cable Holdings (Kenya) Limited	**576,073**	**746,209**
(h) Due from/(to) related parties - Company		
Cable Holdings (Kenya) Limited	68,232	73,830
Avery (East Africa) Limited	37,652	38,215
Chai Bora Limited	21,217	23,926
East African Cables Limited	(158,644)	37
Crystal Limited	16,466	14,128
TC Holdings Pty Limited	1,958	1,958
Tanelec Limited	91,547	78,214
Kewberg Cables and Braid (Pty) Limited	118,242	117,219
TC Mauritius Holdings Limited	761,003	(14,677)
Cable Holdings Mauritius Limited	4,199	2,782
TC Railway Holdings Mauritius	2,835	1,587
Safari Rail Company Limited	1,747	546
Cableries du Congo	29,398	14,616
Civicon Limited	339	-
Pende Limited	1,436	-
	997,627	**352,381**

28. BUSINESS COMBINATIONS

On 30 September 2011 the group through its subsidiary TC Holdings Mauritius obtained the control of Civicon Limited, a company involved in the provision of civil and mechanical engineering and transportation services by acquiring 62% of the shares and voting interests of the company.

On 31 May 2011 the group through its subsidiary Tanelec Limited also obtained the control of Pende Group by acquiring 80% of the shares and voting interest of the company. Pende Group is incorporated in Zambia and involved in the sale of electrical hardware and provision of engineering services as well as the manufacturing of transformers.

Taking control of the two companies is driven by the Group's belief in the long term growth prospects of the East, Central and Southern African regional infrastructure opportunity. The investment also positions the group to actively participate in infrastructure development across the region going forward. The above businesses acquired in prior year contributed revenue of KShs 1.75 billion and Earnings Before Interest and Tax (EBIT) of KShs 677.6 million to the group results in 2011.

	As previously stated in 2011 KShs'000	Adjustments KShs'000	Total As restated KShs'000
Property, plant and equipment	2,086,556	-	2,086,556
Intangible assets	14,671	-	14,671
Investment property	30,422	-	30,422
Inventories	27,672	-	27,672
Related party assets and liabilities	36,597	-	36,597
Trade and other receivables	1,499,973	86,993	1,586,966
Tax recoverable	77,008	-	77,008
Deferred tax liability	(32,006)	-	(32,006)
Tax payable	(254,278)	-	(254,278)
Trade and other payables	(523,411)	-	(523,411)
Borrowings	(614,296)	-	(614,296)
Other liabilities	-	(1,247,459)	(1,247,459)
Total net assets acquired during the year	**2,348,908**	**(1,160,466)**	**1,188,442**
Non controlling interest at acquisition	889,098	(387,043)	502,055
Majority interest at acquisition	1,459,810	(773,423)	686,387
Total net assets acquired during the year	**2,348,908**	**(1,160,466)**	**1,188,442**

2011

During the year ended 31 December 2011, the fair value of property, plant and equipment, leases, intangible assets and liabilities had been determined provisionally pending completion of an independent verification exercise. The process of fair valuing the other assets and liabilities of the company is also still ongoing and if new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies any adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised in the following financial year.

2012

The above exercise was completed and new information gathered indicating an increase in trade and other receivables and other liabilities as above.

29. DISCONTINUED OPERATIONS

In December 2012 the group sold Chai Bora Limited which was a 95% owned subsidiary of Transcentury Limited. The subsidiary was not a discontinued operation or classified as held for sale as at 31 December 2011 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment early in 2012 following a strategic decision to place greater focus on the group's key competencies, being the power, transport and infrastructure industries.

29. DISCONTINUED OPERATIONS (Continued)

	2012 KShs'000	2011 KShs'000
(a) Results of discontinued operation		
Revenues	925,462	983,249
Expenses	(870,787)	(910,318)
Results from operating activities	**54,675**	**72,931**
Tax	-	(25,099)
Results from operating activities, net of tax	**54,675**	**47,832**
Gain on sale of discontinued operation	(21,255)	-
Tax on gain on sale of discontinued operation	(28,877)	-
Profit for the year	**4,542**	**47,832**

(b) Effect of disposal on the financial position of the group:

Property and equipment	(99,430)
Goodwill and trade marks	(250,668)
Inventories	(166,013)
Corporation tax recoverable	(24,497)
Trade and other receivables	(195,940)
Bank balances and cash	(22,294)
Borrowings	45,628
Retirement benefit obligations	10,786
Deferred tax liability	9,291
Trade and other payables	71,835
Bank overdraft	91,523
Intercompany balances	82,462
Borrowings – Current portion	21,537
Net assets and liabilities	**(425,781)**

30. SEGMENT INFORMATION

The Group has four reportable segments which are the strategic business units in the following segments:

- Power
- Transport
- Specialized engineering
- Consumer

For each of the strategic business units, the group Chief Executive Officer reviews internal management reports. Information regarding the results of each reportable segment is described below. Performance is measured based on each segment profit before tax as indicated in the internal management reports that are reviewed by the Group Chief Executive Officer.

Year ended 31 December 2012	Power KShs'000	Specialized engineering KShs'000	Consumer KShs'000	Transport KShs'000	Affiliated investments KShs'000	Intra-group adjustments KShs'000	Total KShs'000
Sales	**6,742,011**	**6,775,504**	**-**	**-**	**-**	**(30,286)**	**13,487,229**
Operating profit	**521,129**	**770,848**	**-**	**258,547**	**418,908**	**-**	**1,969,432**
Finance costs	-	-	-	-	-	-	(742,959)
Income tax expenses	-	-	-	-	-	-	(490,368)
Profit from discontinued operations	-	-	4,542	-	-	-	4,542
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**740,647**
Attributable to:							
Equity holders	-	-	-	-	-	-	455,056
Non-controlling interest	-	-	-	-	-	-	285,591

30. SEGMENT INFORMATION (Continued)

Year ended 31 December 2012 (Continued)	Power KShs'000	engineering KShs'000	Specialized Consumer KShs'000	Transport KShs'000	investments KShs'000	Affiliated adjustments KShs'000	Intra-group Total KShs'000
Other information:							
Segment assets	8,977,911	5,933,738	-	3,855,686	3,078,419	-	21,845,754
Segment liabilities	5,586,351	3,527,189	-	-	663,619	-	9,777,159
Capital expenditure	277,210	1,186,133	-	-	963	-	1,464,306
Depreciation and armotisation	255,089	385,109	-	-	2,906	-	643,104
Year ended 31 December 2011							
Sales	**7,730,211**	**2,034,609**	**982,641**	**-**	**-**	**(45,840)**	**10,701,621**
Operating profit	122,724	654,853	102,570	773,139	(35,223)	-	1,618,063
Finance costs	-	-	-	-	-	-	(748,798)
Income tax expenses	-	-	-	-	-	-	(253,165)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**616,100**
Attributable to:							
Equity holders	-	-	-	-	-	-	356,665
Non-controlling interest	-	-	-	-	-	-	259,435
Other information: Restated							
Segment assets	7,882,850	4,773,915	657,737	2,820,837	6,288,925	-	22,424,264
Segment liabilities	4,879,360	1,683,684	619,258	-	4,156,538	-	11,338,840
Capital expenditure	111,722	27,195	5,700	-	3,232	-	147,849
Depreciation and armotisation	285,620	47,581	1,105	-	2,172	-	336,478

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred tax and certain intra group receivables. Segment liabilities comprise operating liabilities. They exclude tax and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

31. CAPITAL COMMITMENTS

	Consolidated 2012 KShs '000	Consolidated 2011 KShs '000	Company 2012 KShs '000	Company 2011 KShs '000
Authorised and contracted for	250,000	127,319	-	-

32. CONTINGENCIES

One of Trans-Century Limited subsidiary, Cable Holdings (Kenya) Limited, has given a guarantee and indemnity and supported a pledge of its shares in East African Cables Limited to secure borrowings by Trans-Century Limited, its parent from Kenya Commercial Bank Limited, Commercial Bank of Africa Limited and NIC Bank Limited. The maximum exposure is KShs 1.9 billion (2011 - KShs 3.4 billion) plus interest, charges and fees thereon.

Principal Shareholders and Distribution of Shareholding

Principal Shareholders of the Company and their respective Shareholding

at 31 December 2012

Name of Shareholder	No. of shares held	%
ANNE PEARL KARIMI GACHUI	21,253,190	7.76
MICHAEL GITAU WAWERU	21,245,080	7.76
PETER TIRAS KANYAGO	18,927,290	6.91
JIMNAH MWANGI MBARU	16,659,490	6.09
GITAU ZEPHANIAH MBUGUA	16,284,952	5.95
EPHRAIM KARIITHI NJOGU	13,520,170	4.93
EDWARD NJOROGE	12,428,626	4.54
STEPHEN NJOROGE WARUHIU	11,362,971	4.15
ROBIN MUNYUA KIMOTHO	10,851,510	3.96
JOSEPH MBUI MAGARI	10,613,530	3.88
SUB-TOTAL	153,146,809	55.93
OTHERS	120,803,475	44.07
TOTAL ISSUED SHARES	**273,950,284**	**100.0**

Distribution of Shareholding

at 31 December 2012

Shares Range	No. of Shareholders	No. of shares held	% shareholding
1 - 500	324	69,750	0.03%
501 - 5,000	332	714,244	0.26%
5,001 - 10,000	73	587,709	0.21%
10,001 - 100,000	109	4,520,776	1.65%
100,001 - 1,000,000	58	15,384,831	5.62%
Above 1,000,000	38	252,672,974	92.23%
Total	**934**	**273,950,284**	**100%**

Notes

Notes

Proxy Form

TRANS-CENTURY LIMITED

TO: EMU REGISTRARS
Secretaries,
P.O. Box 61120 - 00200
NAIROBI

I ………………………………………………………………………………..……………………………………………..………………

of ……

being a member/members of ………………………………………………………………………………………………………..…

hereby appoint ………………………………………………………………………..…………………………………………………

of …………………………………………………………………………………………............……………………………………..........

or failing him ………………………………………………………………………..……………………………………..........….........

of ………………………………………………………………………………..……………………………………..........…......

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting 30th May, 2013

Of the Company to be held on ……………………………………………………....………………………………………..........….....

And at any adjournment thereof.

Signed/Sealed this ………….Day of ………………………………...……………..…..., 2013

……………………………………

……………………………………..

NOTE: The proxy form should be completed and returned not later than 48 hours before the meeting or any adjournment thereof. In case of a Corporation, the Proxy must be executed under the Common Seal.

TransCentury
Investing in Africa

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